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SENATE

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100-82

ECONOMIC COMPETITIVENESS, INTERNATIONAL TRADE, AND TECHNOLOGY DEVELOPMENT ACT OF 1987

REPORT

OF THE

COMMITTEE ON GOVERNMENTAL AFFAIRS UNITED STATES SENATE

TO ACCOMPANY

S. 1233

together with

ADDITIONAL VIEWS

TO ESTABLISH AS AN EXECUTIVE DEPARTMENT OF THE GOVERNMENT A DEPARTMENT OF INDUSTRY AND TECHNOLOGY, TO ESTABLISH WITHIN THAT DEPARTMENT THE ADVANCED CIVILIAN TECHNOLOGY AGENCY, TO ESTABLISH THE UNITED STATES TRADE ADMINISTRATION, AND FOR OTHER PURPOSES

JUNE 23, 1987.—Ordered to be printed

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ECONOMIC COMPETITIVENESS, INTERNATIONAL TRADE, AND TECHNOLOGY DEVELOPMENT ACT OF 1987

JUNE 23, 1987.—Ordered to be printed

Mr. GLENN, from the Committee on Governmental Affairs, submitted the following

REPORT

together with

ADDITIONAL VIEWS

[To accompany S. 1233]

The Committee on Governmental Affairs, to which was referred the bill (S. 1233) to establish as an executive department of the Government a Department of Industry and Technology, to establish within that Department the Advanced Civilian Technology Agency, to establish the United States Trade Administration, and for other purposes, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

I. PURPOSE

The purpose of S. 1233 is to promote U.S. competitiveness by establishing a government framework for the development of coherent technology, trade, and economic policies. To achieve this, S. 1233 creates a Department of Industry and Technology, an Advanced Civilian Technology Agency, and a U.S. Trade Administration. In addition, other initiatives are developed to complement these new organizations and to assist them in meeting their mandates. The general objective of S. 1233 is to ensure that there is a strong advocate in the Federal Government to address, from a policy-making perspective, each of the main dimensions of the Nation's competitiveness problem, and to see that the problem is approached in an effective, efficient, and focused manner. By refining and integrating government's role in the nexus of commercial promotion, technology, and trade concerns, this legislation addresses a major element of the country's competitiveness problem.

Six key principles underlie the approach taken by S. 1233. They are:

(1) to provide a clear mandate for the development of critical trade, technology, and commercial promotion policies;

(2) to integrate commercial promotion activities—both domestic and international—with technology development and application policies and practices;

(3) to reorganize the Federal Government along actual functional lines in the above areas;

(4) to strengthen the decision-making capabilities of the Federal Government;

(5) to improve the collection, analysis, and dissemination of data and information related to trade, technology, and economic policies; and

(6) to enable the development of consensus on solutions to the Nation's competitiveness problem.

The need to follow these principles flows from the fact that the structure, organization and function of some of the Federal Government's key departments and agencies are simply out of step with the dramatic changes which have occurred in the American economy in the last decade. The Committee believes that there is a critical need for new mechanisms that accurately reflect the new economic era; an era in which markets are international in scope and where technology plays an increasingly important role. S. 1233 strengthens the relevant policy-making structures in light of this new environment.

II. Summary of the Bill

S. 1233 was introduced by Senator John Glenn, Chairman of the Governmental Affairs Committee on May 19, 1987. It was reported out of the Committee on June 11, 1987.

The bill, the "Economic Competitiveness, International Trade, and Technology Development Act of 1987", has two Titles. The first, "Trade and Technology Policy", deals with restructuring key government agencies charged with trade, commercial promotion, and technology development activities, and provides for the formulation of more effective policies in these areas. The second Title, "Interagency Committees and Commissions", mandates other initiatives to enhance American competitiveness which complement those embodied in the first Title.

Title I is divided into three subtitles. Subtitle A transforms the current Department of Commerce into a new Department of Industry and Technology, whose primary mission will be the marriage of commercial promotion activities—both domestic and international—with technology development and application activities to enhance American competitiveness. The Department will be structured around an Under Secretary for Industry and an Under Secretary for Technology. Thus the new Department will continue to promote Commerce's traditional "commercial" interests, but its emphasis will change to include the increasing importance of technology development. Also created in the new Department is: (i) an Office of International Technology Monitoring (ii) an Office of Small Business Trade Remedy Assistance; and (iii) the Advanced Civilian Technology Agency (ACTA).

The Advanced Civilian Technology Agency will provide funding on a cost-sharing basis for high-risk, long-term, high-impact areas of technological development and application that are not otherwise being addressed by the private sector. ACTA programs will encompass the entire range of technological development and application, from idea exploration to prototype development, leading to commercialization by industry. There is a cost-recovery provision for the government from the profits earned by ACTA projects.

Subtitle B of Title I, "Trade Functions", strengthens the trade policy-making apparatus. The Office of the U.S. Trade Representative is incorporated into a new U.S. Trade Administration that also includes two officies from the old Department of Commerce—the Office of the Assistant Secretary for International Economic Policy and the Office of the Assistant Secretary for Trade Administration. As a result, trade policy-making, implementation, and enforcement will be housed within one agency. The Trade Administration will be located outside the Executive Office of the President as an independent establishment of the Federal Government. Enforcement functions are to be carried out in an independent office within the agency. The U.S. Trade Representative will head the U.S. Trade Administration. At the same time, he/she will head an Office of Trade Policy Coordination, which will be located inside the Executive Office of the President and is where the USTR will continue to carry out the current "honest broker" function in the interagency trade policy-making process. The Trade Representative will retain ambassadorial status and cabinet-level rank.

Subtitle C of Title I codifies the current interagency Economic Policy Council. The Council will advise the President on all economic and trade issues, and will be the primary interagency coordinating body for developing and implementing economic policies. The President shall serve as the Chairperson of the Council. When trade policy issues are discussed by the Council and the President is absent, the USTR will serve as the Council's Chairperson.

The effective date of Title I is January 20, 1989.

Title II of the bill contains a number of provisions briefly described below:

SUBTITLE A—COUNCIL ON ECONOMIC COMPETITIVENESS

Creates an independent council to be a forum for discussion of U.S. competitiveness problems among business, government, labor, academia, and public interest groups.

SUBTITLE B—NATIONAL TRADE DATA BANK

Creates an interagency committee to coordinate the collection and dissemination of economic and trade information as well as a data bank.

SUBTITLE SUBTITLE C—FINANCIAL ACQUISITIONS REVIEW BOARD

Establishes a mechanism through which acquisitions by foreigners of U.S. financial enterprises would be made contingent on the access of U.S. firms to foreign financial markets.

SUBTITLE D—COMMISSION ON U.S. TRADE IN THE 1990'S

Creates a one-year commission to study long-term U.S. trade problems.

SUBTITLE E—COMPETITIVENESS STUDIES

Mandates four studies:

(i) U.S. barriers to U.S. exports

(ii) Resource needs of the economy using input-output analysis

(iii) Linkages between manufacturing base and high-tech and services industries

(iv) Impact of foreign financial and regulatory systems on U.S. firms' competitiveness

SUBTITLE F—INTERAGENCY COORDINATING COMMITTEE ON FEDERAL PARTICIPATION IN SEMATECH

Establishes an interagency committee to oversee and coordinate federal government participation in SEMATECH.

SUBTITLE G—STATE JOB BANK SYSTEMS; PORTABLE PENSION STUDY

Creates computerized job bank systems in each state. In addition, a one year study on the feasibility of providing portable pensions and health benefits to displaced workers is established.

SUBTITLE H—COMMITTEE ON SYMMETRICAL ACCESS TO FOREIGN TECHNOLOGICAL RESEARCH

An interagency committee is created to study and define "symmetrical access" to foreign technological research and recommend negotiating goals for the USTR in this area.

Authorization of appropriations for S. 1233 for fiscal year 1988 is $175,000,000; and for fiscal years 1989, 1990, 1991, and 1992, it is $252,000,000; $323,000,000; $406,000,000; and $168,000,000; respectively.

III. BACKGROUND AND GENERAL DESCRIPTION OF THE LEGISLATION

A. INTRODUCTION

Throughout most of the post-World War II period the United States has been the leader in world exports. In recent years, however, our position has eroded badly. In 1981 our current account balance—the broadest measure of foreign trade—was in surplus. In 1986 we had a current account deficit that reached a record $140 billion, almost 20 percent greater than the previous record of $117 billion set in 1985. Today the United States stands as the world's largest debtor nation, owing foreigners more than $220 billion. That is about twice as much as owed by Brazil, the next largest debtor nation.

The impact of our trade deficit has been enormous. Roughly 2 million manufacturing jobs have been lost in the U.S. since 1981. Productivity in services is decreasing, and in manufacturing our increases lag far behind those of several of our competitors. Last year, for the first time in its history, the U.S. experienced a deficit in high technology trade. And although agricultural exports continue to outpace agricultural imports, the gap between what we sell abroad and what we buy from the rest of the world is narrowing considerably.

It is obvious that the global economy and America's role as an international competitor have changed dramatically. Today we are far more dependent on trade in a world that contains many more trading powers. About one-fifth of our GNP arises directly from international trade, and some five million American jobs depend on exports—more than in any other nation. Moreover, our economic rivals, both the traditional ones such as Japan and Europe and new ones like the Newly Industrialized Developing Countries, (NICs), have embarked on a deliberate strategy of international economic and technological competition. We no longer can depend on the direct and immediate benefits of our inventions to stay exclusively within our borders, as we have been able to do in the past. The time scale for the diffusion of technological information to our foreign competitors has been severely compressed. Many of them are far better than we at translating scientific discoveries into commercial products and processes. As a result, while we may still have the best scientific talent, in many markets our competitors are out-performing us.

Clearly, there are numerous reasons for the ills American industry is experiencing, including large Federal budget deficits, and an overvalued dollar. Because there are multiple and complex sources of the competitiveness problem, there is no single, "quick fix". It is the Committee's belief that one of the ways to achieve a long-term solution is to reorient the Federal public policy-making structure in the trade, technology development, and commercial promotion areas to make it responsive to the changes in the world economy, and to undertake policies and practices which reflect the new environment. In particular, the Committee believes there is a need to provide a clearer mandate for the way the Federal government develops trade, technology and commercial promotion policies, and for how it integrates these policies with one another. In part, this will require reorganization of some of the relevant Federal agencies and a strengthening of the government's decision-making capabilities in various areas. It also will require improvement in the collection, analysis, and dissemination of data and information related to trade, technology and commercial promotion activities and policies. Finally, it is the Committee's belief that there is a need to establish a mechanism which will enable the development of a national consensus on the wide range of policies necessary to solve the country's competitiveness problem.

B. COMMERCIAL PROMOTION AND TECHNOLOGY POLICY

In the short-term, the principal solutions to our current trade imbalance are largely economic factors, including reducing the

Federal budget deficit, stabilizing the dollar exchange rate at the appropriate level, alleviating the international debt problem, and reducing foreign trade barriers. Over the long-run, however, technological advance will be the most important factor contributing to the productivity increases which are necessary to enhance the Nation's competitiveness. Indeed, technology has played an important role in allowing other countries to gain cost advantages over the U.S. in many trading areas. Equally important in the long-run will be policies and practices which promote U.S. commerce in international markets and which tie in with activities that foster technology development.

The current structure and operation of the Federal government displays an insufficient recognition of the combined roles of technology development and commercial promotion in improving the competitiveness of U.S. industries. The Commerce Department, the agency with the nominal mandate in this area, in fact, has no clear mission; the goals and responsibilities which have been assigned to it over the years have diffused the focus and diminished the effectiveness of the Department. The structure of the existing organization does not reflect the needs and demands placed on it by the new global economic environment. The establishment of the Department of Industry and Technology and the Advanced Civilian Technology Agency is designed to redress this problem.

The Department of Industry and Technology

The creation of the Department of Industry and Technology will help address many of the long-term problems associated with American competitiveness. A Department of Industry and Technology will also provide an unqualified indication that the Federal Government takes on-going and sincere interest in the key issues that affect the competitive position of U.S. businesses, be they small, medium, or large in size. The lead agency responsibility of the New Department in enhancing U.S. economic competitiveness is clearly delineated. This consolidation of responsibility also enhances the opportunity to develop a consensus among industry, labor, academia, and governmental interests (Federal, State, and local) on the direction of the Nation's overall competitiveness posture.

Establishment of the Department of Industry and Technology will merge domestic and international considerations in economic policy-making and analysis; integrate commercial promotion and technological development policies; and combine portions of the current Department of Commerce which have complementary functions to improve overall decision-making capabilities. By reorganizing the Department of Commerce, the creation of a new bureaucracy is avoided. This legislation provides for building upon what already exists within the Federal establishment and organizing it in a more effective, rational manner.

Secretary of Industry and Technology

The Department of Industry and Technology is comprised of many of the existing offices of the Department of Commerce, reorganized to reflect the current competitive environment, and several new entitites. The Secretary of Industry and Technology will take the lead in determining policies for improving the competitiveness of U.S. industries and integrating domestic and international concerns, as well as uniting economic and technological considerations. The Office of the Secretary will have responsibility for fusing the commercial development and export promotion programs and analytical activities of the newly created Office of the Under Secretary for Industry with the technological advancement and application activities of the new Office of the Under Secretary for Technology. This is to be accomplished in recognition of the on-going need to both promote domestic productivity and economic growth, and develop international markets for U.S. good and services.

Commercial promotion and analysis of economic activity

The new Under Secretary for Industry is accountable for policies and programs to (1) foster domestic economic growth and productivity; (2) promote the development of markets abroad for U.S. goods and services; and (3) collect and analyze information related to domestic and international economic trends and developments. The Office of the Under Secretary is comprised of those existing units of the Department of Commerce which have the operational mandate to stimulate domestic economic development and exports. It also includes those Commerce Department offices which provide the analysis, data, and information on economic activity on which decisions are made in these areas. Overall, this structure will permit the Under Secretary for Industry to strengthen the trade and investment position of the United States by integrating both domestic and international considerations. In short, the reorganization will eliminate the artificial bifurcation in the Department of Commerce between domestic and international commercial interests and analysis which has hampered an effective policy approach to some of the key competitiveness problems.

The legislation provides for the transfer of two of Commerce's trade-related offices to the new U.S. Trade Administration: the Office of International Economic Policy, which provides intelligence support for trade negotiations, and the Office of International Trade Administration, which enforces various trade laws. Not only will this enhance the Nation's trade policy-making apparatus, as discussed below, but it will allow the new Department of Industry and Technology, by keeping Commerce's two trade promotion offices, to concentrate on exploiting its comparative advantage of enhancing foreign demand for American products and services. At the same time, the Department of Industry and Technology is given new initiatives that will also enhance its mission. The Office of Small Business Trade Remedy Assistance is transfered from the International Trade Commission; see below. And, the addition of a new National Trade Data Bank will provide a mechanism to develop a trade information policy and improve the quality and availability of trade data; see below.

Technology development and application

S. 1233 creates an Under Secretary for Technology. It is the responsibility of this Under Secretary to champion the development of technology by and the application of technology in, the private sector. The technology-related functions of the former Department of Commerce will be integrated in the Office of the Under Secretary for Technology (with the exception of the National Oceanic and Atmospheric Administration). A new Office of Technology Information is created to provide relevant information on which to make decisions. Included in this information function is the specific responsibility for the coordination of the gathering and assessment of information on foreign technology through a new Office of International Technology Monitoring; see below. Also reporting to the Under Secretary for Technology is the new Advanced Civilian Technology Agency described below.

Placing responsibility for technology promotion at the Under Secretary level emphasizes the new Department's mission to develop policies and practices which foster the integration of business and economic concerns with technology concerns. The importance of this orientation of the department's mandate cannot be overestimated. Research has shown that up to one-half of all U.S. economic growth is the result of technological progress. Technological progress is also the major force behind the long-term increases in our standard of living. New technologies and techniques generate new industries and new jobs. They increase the type and geographical availability of services. In traditional manufacturing, technological development can reduce labor costs and make more productive use of resources. While technology development is influenced by economic forces, it is not necessarily determined by them. Technology can have effects on economic growth and competitiveness which are independent of macroeconomic factors.

While much of the discussion surrounding the competitiveness problem has focused on searching for policies which affect the balance of trade, it is equally important to address the issue of the composition of trade. The type of goods and services traded has a significant effect on domestic economic well-being, since the technological development embodied in products, processes, and services contributes substantially to long-term economic growth. We may be able to balance our trade account through devaluation of the dollar or through protectionist measures, but we cannot afford to do this if it means a long-run decline in our standard of living.

American firms are facing greater competitive pressures despite increased resources directed toward scientific endeavors. While the pursuit of science within the U.S. appears to be highly successful, as evidenced in part by the number of Nobel Prizes awarded to American citizens, this has not insured that U.S. companies are more competitive in the world marketplace. This country is being challenged by nations which are taking the results of our research enterprise, applying the knowledge, and making products and processes commercially available both here and abroad. For example, while the U.S. pioneered work in laser research, the Japanese are now busy selling laser disks. Although the video tape recorder was invented here, Japan now controls more than 90% of that market and none are produced in the United States.

The inability, unwillingness, and/or sluggishness of U.S. firms regarding the commercialization of new technology indicates that there is a role to be played by government because only through the application of advances in technology can the economic benefits of increased productivity, growth, and competitiveness accrue for the nation as a whole. However, the role of the Federal Government in funding research and development is oriented overwhelmingly toward defense-related projects (over 70% is spent on defense-related activities). Overall, in the United States the Government and the private sector each fund about half the R&D endeavor. In contrast, in Japan, industry provides almost two-thirds of the total funding. In addition, almost all of the funds for industrial R&D in Japan is generated by industry, in comparison to only 68% in the U.S. As a result, much of the technology-related work performed within the United States is reflective of Federal mission needs—particularly defense—rather than those of the civilian marketplace.

Businesses in many other nations are operating in an environment in which the adoption and application of new ideas to commercial endeavors is promoted. In most of these countries resources (human and material) are coordinated and/or aggregated to fund and perform commercial research and development. In the United States, there is no delineated Government policy to promote the development and application of technology. Responsibility and decision-making authority for technological advancement is scattered among numerous departments and agencies. This has led, at times, to policies which are at cross purposes to the goal of increased competitiveness and/or which have had negative effects. It also makes it almost impossible to achieve a consensus on how to approach the issues related to technology development.

Recent legislation and Executive Branch activities have attempted to facilitate the advancement of technology. Traditionally, the major Federal effort was focused on direct spending for R&D to meet the mission requirements of the departments and agencies. The Reagan Administration accelerated the growth of Federal funding for basic research. Other government efforts to stimulate research and/or technology development in the private sector have included tax changes to encourage industry to spend more on research; the promotion of joint research activities between companies; facilitation of cooperative efforts between industry and universities to speed the movement from basic research to the development of technologies and techniques; assistance to small, high technology business; the expedition of the transfer of technolgy and technical information; augmentation of math, science, and engineering education; and the creation of retraining assistance.

The major thrust of these initiatives, however, has been to support basic research rather than to facilitate the development of the results of this research. Testimony before the Committee stressed that it is imperative for the Federal Government to take a role in assuring the Nation's technological strength through support of industry initiatives beyond basic research. This is not an issue of "industrial policy", but of making the environment conducive to the development and application of technology by industry, of coordinating Federal activities, and making the most effective use of resources. Witnesses from industry, business, and academia displayed uniform agreement that changes must be made to provide added support to integrating technological considerations in economic/commercial promotion decision-making.

The Advanced Civilian Technology Agency

To give further support to technological advancement, S. 1233 creates the Advanced Civilian Technology Agency (ACTA) in the new Department of Industry and Technology under the Office of the Under Secretary for Technology. ACTA will provide funding to private sector research organizations on a cost-sharing basis for specific research projects in high-risk, long-term, high-impact areas of technological advancement that have potential for widespread commercial application. ACTA programs will encompass the entire range of technology development and application—from idea exploration to prototype development, leading to commercialization by industry. There is a provision in the legislation that will allow the government to recover its cost-share from the profits earned by ACTA projects.

Testimony at hearings before the Committee established the importance of the critical link between technology and competitiveness. It was argued that the Federal Government needs to devote more resources to systematically promoting the development and application of basic research. These discussions generated the concepts behind the establishment of the Advanced Civilian Technology Agency. ACTA will provide the mechanism through which the Federal Government and the private sector can share risks and pool resources in attempting to augment the competitiveness of American industry.

The development of advanced technology sectors is particularly important to improving economic performance because not only does it result in new industries per se, but because the products and processes that these new industries offer often improve the performance and operation of other industries. For example, the computer industry produces and sells computers which, when used in other sectors, can make certain manufacturing activities substantially more productive. Similarly, advanced ceramics can permit progress to be made in other areas, including the manufacture of jet and automobile engines. The fact that many technological advancements resulting in new industries are also the basis for changes and/or improvements in other areas of the economy underscores the necessity for facilitating technological development in the manner that ACTA proposes.

The Advanced Civilian Technology Agency is intended to be a civilian counterpart to the Defense Advanced Research Projects Agency (DARPA). A separate effort devoted to commercial technology advancement is necessary because, as was pointed out in testimony before the Committee by Harvard Professor Michael Porter, there are many instances where the needs of civilian industries and defense industries are not analogous, and defense considerations have prevented product development and use in civilian markets. He noted that the U.S. machine tool industry concentrated on defense applications rather than general purpose machine tools for medium-sized companies, which comprise the bulk of the market and who now purchase their tools from abroad.

In light of ACTA's mission to support research, development, and application of technology, it might be expected to undertake projects in the mode of the proposed Sematech concept. Sematech is an effort by the private sector, in conjunction with support from the Federal Government, to reestablish U.S. preeminence in semiconductor manufacturing technologies. It will draw on the expertise of the private sector, Federal laboratories, and academic institutions to attempt to achieve breakthroughs in the application of semiconductor research, development, and manufacturing.

The Interagency Coordinating Committee on Federal Participation in Sematech

The United States semiconductor industry is a critical foundation for the United States electronics industry. Advances in semiconductor technology spur rapid advances in computers, telecommunications, robotics, defense electronics, and consumer electronics. The electronics industry is the United States' largest manufacturing sector and accounts for 2.5 million American jobs.

The semiconductor industry is the leading American industry in research and development, devoting 10.7 percent of sales to that purpose. High volume production and sales of semiconductors by domestic producers are critical to maintaining research and development efforts.

The January 1987 Report of the Defense Science Board Task Force on Semiconductor Dependency concluded that "semiconductor manufacturing trends indicate that we will become highly dependent (on foreign sources) in the future if immediate actions are not taken" and that "U.S. technology leadership in this critical area is rapidly eroding and that this has serious implications for the Nation's economy and immediate and predictable consequences for the Defense Department."

America's comptetive position in high technology industries is threatened by concerted actions by foreign governments and businesses to gain preeminence in semiconductor technologies. Foreign actions include protectionism, dumping, de factor antitrust exemptions, and governmental underwriting of industry research. As a result, the United States has lost most of the world market for several high volume, advanced semiconductor devices and finds its lead in other devices under assault as well.

Our national security and economic interests require a coordinated effort to place the United States at the forefront of semiconductor technologies. No federal policies or institutions currently exist to help ensure United States preeminence in, semiconductor technologies.

The Defense Science Board report indentified manufacturing technology as the critical weakness of the U.S. semiconductor industry vis-a-vis foreign competitors. It recommended the formation of a government-industry joint venture which would establish a Semiconductor Manufacturing Technology Institute, Sematech, to develop the manufacturing and technology skills to erase the Japanese lead in this critical area. Since the publication of the DSB report, the semiconductor industry has responded by developing a detailed plan for industry participation in Sematech. A federal partner is needed. This legislation establishes and defines that partnership.

The legislation authorizes federal participation in Sematech. It also creates an interagency coordinating committee on federal participation in Sematech and authorizes federal expenditures of $100,000,000 annually for five years, beginning in fiscal year 1988.

The federal government will partially fund Sematech (not to exceed 50 percent) and assist its efforts to reestablish the U.S. lead in semiconductor manufacturing technologies. Federal involvement will enable a scale of effort that can bring American semiconductor preeminence by the early 1990s. Sematech research efforts will draw on the expertise of the private sector, federal labs, and universities.

The interagency group will perform several functions. Sematech's research will lead to breakthroughs in numerous areas with both defense and civilian applications. The coordinating group will help sort out trade-offs between national security considerations and the need for rapid commercialization. Sematech is a new type of undertaking and as a result there are also important questions on licenses, patents, antitrust, foreign access, and tax status that must be settled with the help of the interagency group.

Monitoring of foreign technology

A great deal can be learned from monitoring foreign technological developments. Indeed, much has been learned from monitoring such sources already and our foreign competitors have learned a great deal from monitoring U.S. technological developments.

Currently, a number of agencies of the Federal government collect information on foreign science and technology, including the science and technology officers at U.S. embassies, the National Science Foundation, the Department of Energy, the Department of Defense, and the National Aeronautics and Space Administration. This legislation creates a single dissemination point for this information, much of which is available through a confusing array of sources. Given this piecemeal dissemination process, valuable information is not readily available.

The legislation creates an Office of International Technology Monitoring in the Department of Industry and Technology to carry out the compilation and dissemination of information on foreign science and technology collected by the Federal government. The Office will work closely with those agencies already collecting foreign science and technology information in determining what information to collect, and work closely with the National Technical Information Service in creating and maintaining mechanisms for dissemination of the information.

National Trade Data Bank

Reliable and timely trade and economic information is critical to maximum effective trade policy as well as to the goal of expanding U.S. exports. At present, however, there is no coherent policy in the Federal government concerning trade data and no effective data collection mechansim to assist in the formation of trade policy or to support trade expansion.

Trade data are scattered throughout the Federal government and export promotion information is available mainly in printed form. While the Administration is seeking to computerize export promotion data within the Commerce Department, this project is proceeding too slowly. Moreover, there is no attempt to pull together in a single system the useful trade, international economic and export promotion information available throughout the Federal government.

The Committee believes that such a lack of coherent system seriously impedes both export promotion and inhibits trade policy development. Although the Commerce Department effort is useful, there is not centralization of all the data that are needed. As a result, there is a need for a government-wide data collection effort. In addition, there is also a need for more information on services, especially a new national benchmark survey of services transactions. This information is badly needed inasmuch as the last such survey was conducted almost ten years ago. While the Administration has made services the centerpiece of the new Uruguay trade round, OMB has consistently blocked attempts to collect better data on services. Finally, just as data collection efforts need to be expanded, the Committee believes that the Federal government must also create a process for broader dissemination. The creation of the National Data Bank in this legislation will meet that need.

The purpose of this initiative is to create a mechanism for creating a coherent trade information policy within the Federal government and to improve the quality and availability of trade data. The Committee recognizes two distinct purposes for trade data: policymaking and analysis, and export promotion. Thus, the legislation provides for the development of two data systems within the Data Bank, one for policymaking and analysis and one for export promotion. It is the intent that these systems build upon current systems, and that the export promotion system be an expansion of the Commercial Information Management System in the Commerce Department. It is not the intent, however, that the Federal Government be in competition with commercially available data bases. The Data Bank is to contain that information already available to the Federal Government. The legislation also requires a report to Congress on actions the Federal government might take to ensure that U.S. citizens and firms have access to foreign data banks that is similar to the access foreign citizens are given to the National Trade Data Bank.

The effective date for the National Trade Data Bank provision of the legislation is the date of enactment.

Office of Small Business Trade Remedy Assistance

A Trade Remedy Assistance Center (TRAC) located in the U.S. International Trade Commission (ITC) was created by the Trade and Tariff Act of 1984 (Public Law 573). This TRAC was empowered to provide limited informational assistance concerning import relief available under U.S. law to potential small business petitioners until such time as a petition is filed.

Since its creation in 1984, only one case has been filed with the direct assistance of the TRAC, even though this office receives well over 250 inquiries each year. Reasons cited by the TRAC staff for so few petitioners actually filing cases include: lack of financial resources; lack of sophisticated data-gathering ability necessary to proceed with the petition; lack of access to foreign data; and, lack of human resources necessary to undertake such a project.

Without question, U.S. trade relief laws are so complex that expert legal counsel and economic consultants are vital if domestic small business entities are to have a chance of prevailing. Legal fees and services for economic consultants range from $75,000 upward to $500,000 or more, not including possible adjudication. Documentation requirements for trade relief petitions are so burdensome that many small industries simply cannot collect and analyze the information as their recordkeeping practices often do not reflect the required level of detail. For these reasons, trade relief remedies—theoretically available under the system sanctioned by the GATT—are unavailable to most small industries.

The legislation moves the TRAC from the ITC to the Department of Industry and Technology, renames it the Office of Small Business Trade Remedy Assistance and empowers it to continue providing informational assistance and to partially reimburse small businesses for expenses associated with pursuing trade relief petitions.

Organizational structure of the Department of Industry and Technology

Summary description of the Department

The Department of Industry and Technology will have a Secretary and a Deputy Secretary. There will be four Under Secretaries:

(i) Under Secretary for Industry;
(ii) Under Secretary for Technology;
(iii) Under Secretary for the National Oceanic and Atmospheric Administration;
(iv) Under Secretary for Travel and Tourism.

The functions of the Under Secretary for Industry include those of the current Commerce Department:

(i) Under Secretary for Economic Affairs;
(ii) Chief Economist; and
(iii) Under Secretary for International Trade.

The Under Secretary for Technology will be an upgraded version of the current Commerce Department:

(i) Assistant Secretary for Productivity, Technology, and Innovation.

Reporting to the Under Secretary for Industry will be the following offices:

(i) Economic Analysis;
(ii) Bureau of the Census;
(iii) Trade Development;
(iv) U.S. and Foreign Commercial Service;
(v) Small Business Trade Remedy Assistance;
(vi) Economic Development; and
(vii) Minority Business.

Reporting to the Under Secretary for Technology will be the following offices:

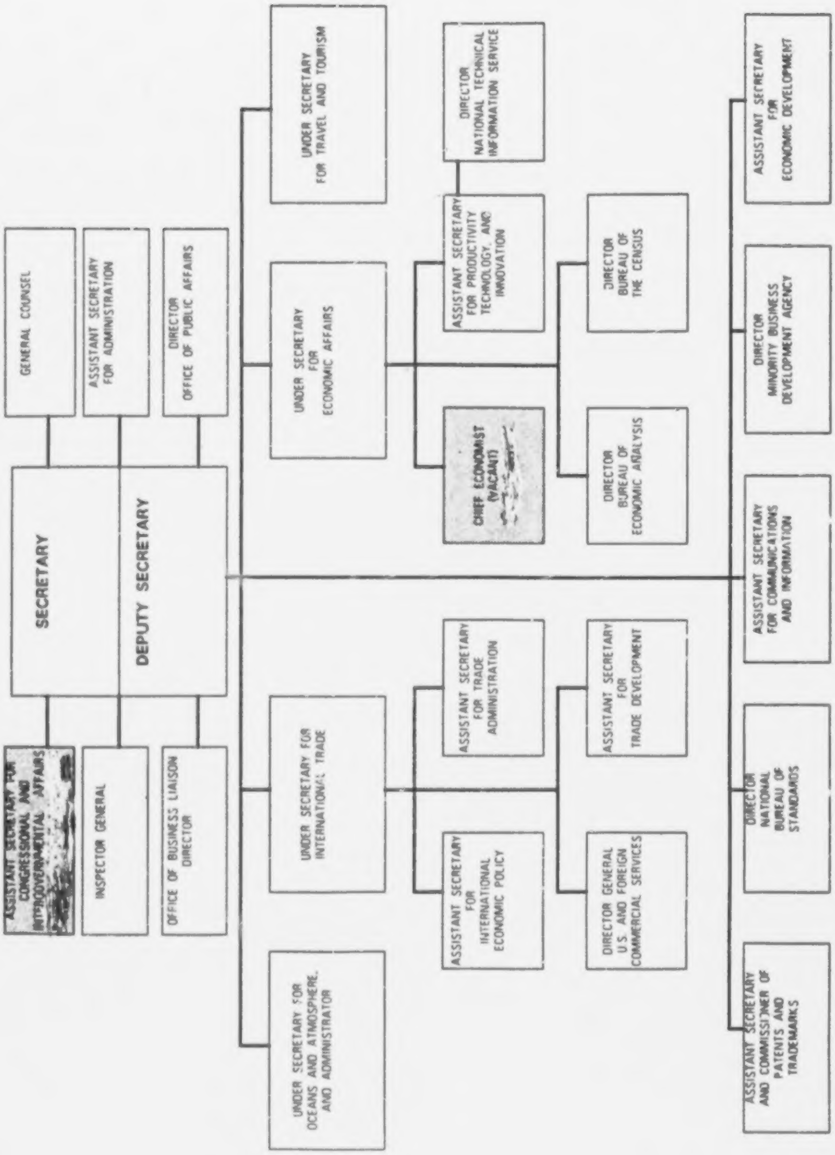
(i) Advanced Civilian Technology Agency;
(ii) National Bureau of Standards;
(iii) Patent and Trademark;
(iv) Communication and Information; and

(v) Technology Information, which, in turn, will oversee: National Technical Information Service; International Technology Monitoring.

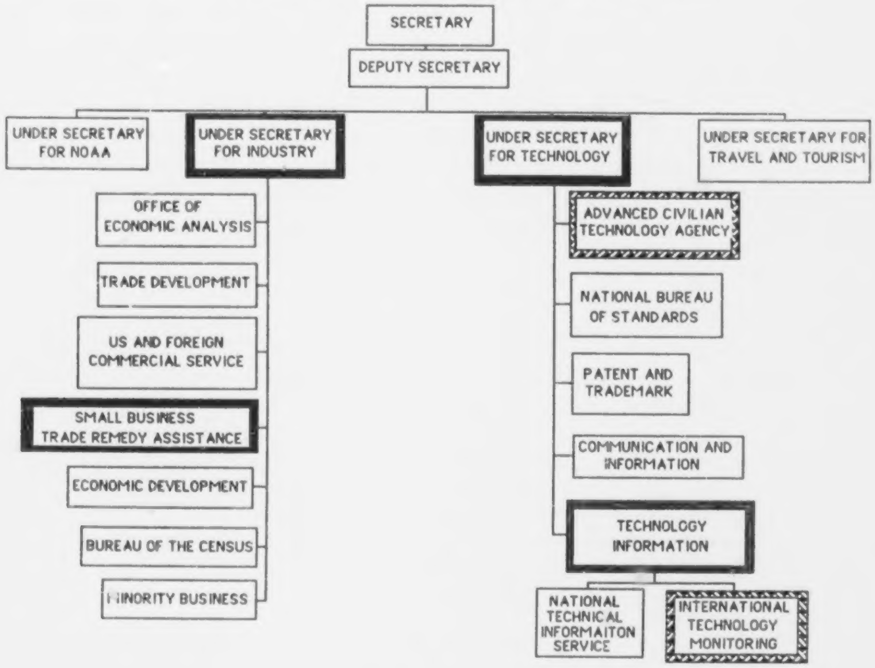
The effective date for the reorganization is January 20, 1989.

The following two organizational charts depict the current Department of Commerce and the new Department of Industry and Technology, respectively.

U.S. DEPARTMENT OF COMMERCE ORGANIZATION CHART


SECRETARY
DEPUTY SECRETARY
ASSISTANT SECRETARY FOR CONGRESSIONAL AND INTERGOVERNMENTAL AFFAIRS
INSPECTOR GENERAL
OFFICE OF BUSINESS LIAISON DIRECTOR
GENERAL COUNSEL
ASSISTANT SECRETARY FOR ADMINISTRATION
DIRECTOR OFFICE OF PUBLIC AFFAIRS
UNDER SECRETARY FOR OCEANS AND ATMOSPHERE, AND ADMINISTRATOR
UNDER SECRETARY FOR INTERNATIONAL TRADE
UNDER SECRETARY FOR ECONOMIC AFFAIRS
UNDER SECRETARY FOR TRAVEL AND TOURISM
ASSISTANT SECRETARY FOR INTERNATIONAL ECONOMIC POLICY
ASSISTANT SECRETARY FOR TRADE ADMINISTRATION
DIRECTOR GENERAL U.S. AND FOREIGN COMMERCIAL SERVICES
ASSISTANT SECRETARY FOR TRADE DEVELOPMENT
CHIEF ECONOMIST (VACANT)
ASSISTANT SECRETARY FOR PRODUCTIVITY TECHNOLOGY, AND INNOVATION
DIRECTOR NATIONAL TECHNICAL INFORMATION SERVICE
DIRECTOR BUREAU OF ECONOMIC ANALYSIS
DIRECTOR BUREAU OF THE CENSUS
ASSISTANT SECRETARY AND COMMISSIONER OF PATENTS AND TRADEMARKS
DIRECTOR NATIONAL BUREAU OF STANDARDS
ASSISTANT SECRETARY FOR COMMUNICATIONS AND INFORMATION
DIRECTOR MINORITY BUSINESS DEVELOPMENT AGENCY
ASSISTANT SECRETARY FOR ECONOMIC DEVELOPMENT

DEPARTMENT OF INDUSTRY AND TECHNOLOGY


SECRETARY
DEPUTY SECRETARY
UNDER SECRETARY FOR NOAA
UNDER SECRETARY FOR INDUSTRY
UNDER SECRETARY FOR TECHNOLOGY
UNDER SECRETARY FOR TRAVEL AND TOURISM
OFFICE OF ECONOMIC ANALYSIS
TRADE DEVELOPMENT
US AND FOREIGN COMMERCIAL SERVICE
SMALL BUSINESS TRADE REMEDY ASSISTANCE
ECONOMIC DEVELOPMENT
BUREAU OF THE CENSUS
MINORITY BUSINESS
ADVANCED CIVILIAN TECHNOLOGY AGENCY
NATIONAL BUREAU OF STANDARDS
PATENT AND TRADEMARK
COMMUNICATION AND INFORMATION
TECHNOLOGY INFORMATION
NATIONAL TECHNICAL INFORMAITON SERVICE
INTERNATIONAL TECHNOLOGY MONITORING

KEY

- ■ New office within Department created by combining existing offices
- ▨ Newly created Agency
- ■ New office within Department
- ■ New office transferred from other Agency

NOTE: The following offices are part of the Department but are not shown on the chart: (i) Assistant Secretary for Congressional and Intergovernmental Affairs; (ii) Inspector General; (iii) Office of Business Liason; (iv) General Counsel; (v) Assistant Secretary for Administration; and (vi) Office of Public Affairs.

C. TRADE POLICY

Transforming the structure of government and devising new initiatives in the areas of commercial promotion and technology development is one step toward creating a more effective public policy to deal with the Nation's competitiveness problem. A second step is the strengthening of our trade policy apparatus. The Committee believes there is a great need to improve our ability to formulate and implement trade policy, and that issues pertaining to international trade must be raised to a higher level of priority in overall national policy objectives.

History of executive branch trade organization

Article I, section 8 of the U.S. Constitution grants the Congress the power "to lay and collect taxes, duties, imposts and excises . . . (and) to regulate commerce with foreign nations . . ." Under this authority, the Congress has played a major role in formulating trade policy and in defining the way the executive branch is organized to carry out the trade responsibilities delegated to it. The Congress exercised primary trade policy authority until 1934, the year it delegated some of its trade authority for the first time to the President by granting him the power to enter into tariff negotiations with other countries under the Reciprocal Trade Agreements Act. From 1934 to 1962, the State Department was the executive branch agency chiefly responsible for U.S. trade policy.

But the State Department was criticized for sacrificing U.S. trade interests for other foreign policy concerns. Trade needed its own voice within the executive branch. With the Trade Expansion Act of 1962, Congress created a voice for U.S. trade interests. This Act authorized the appointment of the Special Trade Representative for Trade Negotiations (STR) within the Executive Office of the President to serve as the chief trade negotiator for the United States. In 1963, President Kennedy established the Office of Special Trade Representative by executive order, along with the appointment of two Deputy Special Representatives for Trade Negotiations. The Trade Act of 1974 codified the Office of the Special Trade Representative. The STR was subsequently given cabinet-level status and rank of ambassador.

The trade policy-making structure within the executive branch was changed further in 1979 under Reorganization Plan No. 3, which was designed to reduce the fragmentation of the trade policy process by centralizing principal trade responsibilities into two offices, the United States Trade Representative and the Secretary of Commerce. Under the plan, the STR was renamed the Office of the United States Trade Representative and was given chief responsibility for international trade policy development, coordination, and negotiation.

The Department of Commerce was made responsible for certain other trade matters. The plan transferred to commerce anti-dumping and countervailing duty enforcement authority from the Treasury Department and responsibilities for overseas commercial promotion and representation from the State Department. It also gave commerce the responsibilities for implementing various aspects of the Tokyo Round negotiations and for trade administration, including export controls.

Current trade structure

Today, U.S. trade responsibilities are largely concentrated in the Department of Commerce and the Office of the United States Trade Representative (USTR), although other agencies, including the Departments of Treasury, State, and Agriculture still have important trade-related functions.

Department of Commerce

Within the Commerce Department, four offices carry out trade-related activities. There are three Assistant Secretaries—one for International Economic Policy (IEP), one for Trade Administration (TA), and one for Trade Development (TD)—and the Director General of the U.S. and Foreign Commercial Service (US&FCS). The four offices operate under and Under Secretary for International Trade.

The Assistant Secretary for IEP is responsible for collecting information and conducting analyses on bilateral, multilateral, and regional trade matters, including assessing the economies and trade policies of foreign countries. IEP is divided into four regional units—Europe; the Western Hemisphere; East Asia and the Pacific; and Africa, the Near East and South Asia—each headed by a deputy assistant secretary and staffed by country specialists who advise the Office of the USTR and other government officials on trade an investment policy and negotiation issues concerning particular countries and regions as well as provide information to U.S. businesses. A fourth deputy assistant secretary, for International Economic Policy, is responsible for IEP's overall policy coordination.

The Assistant Secretary for Trade Administration is organized into export administration and import administration groups. The former enforces U.S. national security, foreign policy, short supply, and anti-boycott controls on exports. The latter enforces, along with the International Trade Commission, U.S. anti-dumping and countervailing duty laws. It also operates the U.S. Foreign Trade Zone program and administers certain statutory programs.

The Assistant Secretary for Trade Development is organized according to specific industrial sectors. The TD unit is responsible for operating programs to improve U.S. export competitiveness an to increase U.S. industries' participation in foreign markets. In addition, TD operates the U.S. program to promote the formation of export trading companies and collects and analyzes data on foreign trade and investment trends.

The U.S. and Foreign Commercial Service is the Commerce Department's primary trade promotion and commercial representation organization. The US&FCS has approximately 175 commercial officers working 127 posts in 66 foreign countries. The commercial officers are responsible for directing export promotion activities and other wise helping U.S. firms sell in foreign markets. The foreign commercial officers also gather data on country trends affecting trade and investment, analyze individual sector prospects and identify and evaluate importers, buyers, agents, distributors and joint venture partners for U.S. firms. Foreign commercial posts also have the responsibility for monitoring and analyzing local host country laws, regulations and practices that affect market access and business conditions.

In addition, the US&FSC operates about 50 district offices throughout the United States. These offices are designed to assist American firms, through one-on-one counseling and group programs, in their exporting endeavors. The district offices are responsible for promoting U.S. exports by informing companies in their regions about potential export opportunities an guiding them through the process.

The United States Trade Representative

The Office of the USTR was established in the Executive Office of the President on January 4, 1980, under Reorganization Plan No. 3. the USTR is a Cabinet-level official with the rank of ambassador and is directly responsible to the President. He is charged with developing and coordinating U.S. trade and direct investment policy including the following areas: import remedies, East-West Trade policy, international investment policy, international commodity policy, energy trade, and export expansion policy.

The USTR is also the chief representative of the United States within the General Agreement on Tariffs and Trade (GATT), and for trade-related discussions and meetings within the Organization for Economic Cooperation and Development and other multilateral organizations. He is responsible for other bilateral and multilateral negotiations when trade is the primary issue. The USTR conducts investigations and makes recommendations to the President regarding unfair foreign trade practices under section 301 of the Trade Act of 1974.

In addition to the above duties, the USTR chairs the Trade Policy Committee (TPC). The TPC was formed in 1975 to carry out the requirements under section 242 of the Trade Expansion act of 1962. This Act authorizes the President to establish an interagency trade organization to make recommendations on basic policy issues arising from the trade agreements program and on tariff actions, to advise the President on import relief actions and to perform other functions regarding the trade agreements program as the President sees fit. Along with the USTR, the TPC includes the Departments of Agriculture, Commerce, Defense, Justice, Energy, Interior, Labor, State, Transportation, and Treasury, the Office of Management and Budget, the Council of Economic Advisers, the National Security Council, and the International Development Cooperation Agency.

From time-to-time, Presidents have established their own ad hoc organizations within the White House to coordinate economic policy, including trade policy. On April 11, 1985, President Reagan created the Economic Policy Council (EPC) to advise him on all aspects of national and international economic policy and to oversee the coordination and implementation of the Administration's economic policies. The EPC is chaired by the Secretary of the Treasury. The other members of the Council are the Secretaries of State, Agriculture, Commerce, and Labor, the Director of the Office of the

Management and Budget, the Chairman of the Council of Economic Advisors, and the USTR.

Deficiencies in the current trade policy structure

There are essentially four aspects of the trade policy process: (i) promotional efforts and data collection and analysis; (ii) policy-making; (iii) investigation, intelligence, and enforcement; and (iv) negotiation. Under the current structure, promotional efforts and data collection and analysis as well as investigation, intelligence, and enforcement reside in the Department of Commerce, while policy-making and negotiation reside in the Office of the USTR. Although this structure might have been satisfactory in earlier times when trade was of relatively minor importance, this division of functions today hinders the effectiveness of our negotiators, results in inter-governmental turf competition, causes confusion among our trade partners as to where the ultimate authority for trade is located in the government, and confuses our own businesses who have trading interests.

For example, as the Office of the USTR carries out its negotiating duties, it is not always able to get access on an timely basis to the necessary intelligence information on various international markets that is gathered by Commerce. Moreover, because the USTR does not have in its arsenal enforcement functions, its ability to negotiate and then effectively implement trade agreements is weakened. Some observers also believe that Commerce cannot effectively enforce U.S. export controls while it simultaneously operates U.S. export promotion programs.

In addition, the USTR, who is the chief official responsible for developing and coordinating trade policy, lacks clout because he is institutionally weak. Although he holds Cabinet-level status, the USTR is not a formal member of the Cabinet. The amount of influence he has depends on the whim of the President. He lacks the support of major interest groups that give "clout" to the views from the Departments of State, Defense, Treasury, and the other major Cabinet agencies. The USTR's views are often overshadowed in interagency economic policy discussions, and U.S. trade interests lose out to the interests represented by these other agencies.

The Secretary of Commerce, on the other hand, has responsibilities over a broad range of functions and issues in addition to trade which are represented by a number of offices within the Department, such as the Bureau of the Census, the Economic Development Agency, the National Oceanographic and Atmospheric Administration and so on. Trade promotion efforts, for example, must therefore compete for the Secretary's attention with the other responsibilities. Consequently, U.S. trade interests do not receive the attention they deserve.

The Committee has had a long-standing interest in trade reorganization, and as its hearing record shows, from both this and previous Congresses, these and other serious problems with the trade policy structure have been highlighted by numerous expert witnesses, including most recently testimony by former U.S.T.R., Ambassador Robert Strauss, and former Deputy Assistant Secretary of Commerce for Import Administration, Gary Horlick.

S. 1233 helps alleviate these problems through the establishment of the U.S. Trade Administration and the White House Office of Trade Policy Coordination, and the strengthening and codification of the Economic Policy Council.

U.S. Trade Administration

The legislation creates the United States Trade Administration (USTA) as an independent agency within the executive branch of the Government. The Trade Administration will contain two offices transferred from the Department of Commerce—the Office of the Assistant Secretary for International Economic Policy, and the Office of the Assistant Secretary for Trade Administration—in addition to the current Office of the U.S. Trade Representative. The purpose for transferring the two offices from the Department of Commerce is to strengthen our government's ability to effectively achieve and implement trade agreements with other governments by housing trade policy-making, negotiation, intelligence, and enforcement functions within one organization. The consolidation of these trade functions is also aimed at reducing inefficiencies and duplication of efforts in the current Federal trade policy-making apparatus, establishing clearer lines of authority and responsibility, and providing for the formulation of a well-defined, strategic, rather than an unfocused, reactive trade policy. At the same time, the shift of these functions to the USTR will allow the Commerce Department to concentrate on the trade activities it does best—commercial representation and trade promotion.

The United States Trade Representative will head the U.S. Trade Administration and will continue to have cabinet-level status, the rank of Ambassador, and be directly responsible to the President. By placing trade enforcement responsibilities in a USTA that is located outside the White House, the legislation responds to the concern that movement of trade enforcement functions into the Executive Office of the President might result in the politicization of these functions. To guard further against the politicization of enforcement functions, the legislation mandates that these functions be carried out within the USTA by an independent Office of Trade Enforcement Programs.

Office of Trade Policy Coordination

Placing the USTA outside the EOP also avoids expanding the size of the EOP. Morever, it avoids locating the conduct of administrative proceedings—a component of the trade enforcement functions to be carried out in the USTA—within the EOP, whose role has been limited to policy-making. There is a critical need, however, to maintain the USTR's presence within the White House, in close proximity to the President. Accordingly, the legislation establishes within the EOP the Office of Trade Policy Coordination, which the USTR will head. (Hence, the USTR will serve a dual role as head of the U.S. Trade Administration and as head of the Office of Trade Policy Coordination.) It will be through the Office of Trade Policy Coordination that the USTR will carry out the interagency trade policy coordination functions that he is responsible for discharging. As a result, this Office will preserve the USTR's role as "honest broker" in the interagency trade policymaking process. It is the intent of the legislation that the Office will be staffed by a small group of ten to fifteen personnel.

Economic Policy Council

The Committee is concerned that the formulation of U.S. international trade policy is not given adequate consideration relative to the formulation of other U.S. economic policies in the interagency policy-making process. The current EPC has proven to be the most effective mechanism for coordinating economic policy-making on a wide range of issues. It is the Committee;s belief, however, that the stature the Council attributes to the USTR is insufficient. Thus, S. 1233 (i) consolidates and integrates the interagency trade policy coordination activities currently performed by the Trade Policy Committee with the overall interagency economic policy coordination activities currently performed by the Economic Policy Council and (ii) ensures that the U.S. Trade Representative is the senior official in charge of trade matters in the interagency economic policy coordination process of the EPC.

In particular, the legislation does the following. It establishes that there be, by statute, an interagency Economic Policy Council in the Executive Office of the President. The Council will advise the President on matters of trade, monetary, fiscal, internationl financial, foreign aid, and investment policies, and will be the primary interagency coordinating body on all economic issues for the President. The members of the Council will be the President, who shall preside over the Council, the Vice-President, the Secretaries of State, Treasury, Defense, Agriculture, Industry and Technology, and Labor, the United States Representative, and the heads of other Federal agencies which the President may designate. The United States Trade Representative will preside over the Council, in the President's absence, on international trade matters. The Trade Policy Committee will be terminated. Finally, the President will appoint an Executive Secretary for the Council and provide whatever other permanent Council staff may be needed.

Committee on Symmetrical Access to Technology Research

In November of 1986, the National Academies of Sciences and Engineering sponsored a panel of science, technology, and business leaders. This panel noted that large differences exist in the kind of research done in different countries and the various environments in which it is carried out. Because of this the panel concluded that, in the areas of research, science, and technology, the notion of "reciprocity" is a meaningless concept.

More specifically, the panel advised adopting the concept of "symmetrical access"—the availability of equivalently valued knowledge and technology across countries. They claim:

> The best Japanese scientific and technological research takes place in federally supported institutes and industrial cooperative ventures that have not * * * been readily accessible to American researchers. In contrast, much of our forefront, high technology research takes place in association with open research universities and is published in widely read journals. The answer is not to limit access at

U.S. facilities, but to get symmetrical access to the best Japanese research results.

Recent history supports the panel's argument. In 1986, only 55 percent of the 77,000 patents granted in this country went to United States citizens—a new low. This occurred in the same year the United States incurred its first deficit in high technology trade. Our competitors are learning more from us than we are from them, and the disparity is adding to our trade deficit.

A major reason for this is that our universities have more to offer in the area of high technology than do the universities of our economic rivals. In 1984, the percentage of doctoral degrees received by non-resident foreigners was 44 percent in engineering, 32 percent in math and computer sciences, and 20 percent in physical sciences. In contrast, since 1980, an average of 12 percent of U.S. engineering doctoral recipients have studied abroad each year.

The legislation creates upon enactment an interagency committee headed by the Director of the National Science Foundation with members from the Office of the USTR, the Department of Commerce, the Department of Defense, and the State Department. The Committee's purpose is twofold:

1. To study and define the concept of symmetrical access to technogical research: The committee will examine the fundamental differences between countries in the type of research done and the site where it is done.

2. To set negotiating goals for the USTR. These goals should be designed to increase the degree of symmetrical access between the United States and other countries. Each year, the committee will report on the USTR's progress in negotiation and set new goals.

Financial acquisitions review

This decade is witnessing a fundamental alteration in world financial markets. Because of its massive trade surpluses Japan has emerged as the world's major capital exporter. In 1981, Japan's net external assets were $11 billion (compared to $140 billion for the U.S.) But by the end of 1986, Japanese external assets had grown to over $200 billion while the United States had become the world's largest debtor with external liabilities of approximately $200 billion.

This reallocation of wealth is having a profound impact both on the balance of financial power in world markets, and on the sturcture of Japan's own financial markets. Flush with cash and a strong capital base, Japanese financial institutions have rapidly become the world's largest, strongest, and most competitive. Measured by market capitalization, nine of the ten largest banks in the world are Japanese (measured by deposits, seven of the top ten are Japanese). These banks now account for 25 percent of international loans and the share is growing (U.S. banks account for 18 percent). Last year, Japanese banks underwrote over half of the municipal bonds issued in the United States.

With this new-found status have come pressures for liberalization of the Japanese market. Foreign enterprises and their governments are demanding access to the immense pool of funds and the business opportunities that this creates.

Progress in opening Japan's financial markets

In the 1984 National Treatment Update the following were listed as areas of progress:

Allowing foreign banks to enter the trust banking business;
Allowing foreign banks to trade public sector securities;
Relaxing controls on overseas yen lending;
Eliminating swap limits;
Liberalizing regulations on yen certificates of deposit.

In the 1986 *National Treatment Update* the following were listed as additional area of progress:

Expanded freedom for residents to engage in foreign exchange transactions;
Four U.S. firms becoming members of the tokyo stock exchange;
Trust banking being opened to nine foreign banks;
Continued deregualtion of interest rates on CDs, money market certificates and bank deposits.

In a letter to Senator Chiles, Mr. Corrigan (President of the Federal Reserve Bank of New York) pointed to areas of progress and stated, "the Ministry of Finance has indicated that it would consider applications from foreign securities firms to enter Japan in the form of subsidiaries; that the Ministry will support a greater allocation of underwriting shares in Japanese government securities for foreign firms; and that the Ministry will consider easing the requirements for participation in medium-term auctions of Japanese government bonds.

Further, we understand that the Ministry is exploring positively requests for securities licenses for affiliates of U.S. commercial banks."

Remaining access issues

In the 1986 National Treatment Update, the following were listed as continuing problems affecting American competitive opportunities in Japanese financial markets:

Banking:

Time-consuming and frustrating processes for opening branch banks;

No foreign acquisitions of Japanese banks have occurred;

Foreign bank share of commercial banking has eroded in recent years. In March 1983, foreign banks accounted for 3.5 percent of total bank lending and 0.9 percent of total bank deposits. By March 1986, these shares had declined to 2.3 percent and 0.8 percent respectively.

Funding costs of Japanese banks tend to be lower than those of foreign banks since they have a large network of deposits at controlled interest rates on which to draw. Despite the partial liberalization of interest rates, 80.4 percent of ordinary deposits of Japanese banks remain subject to interest rate control as of September 1986.

Foreign banks access to Bank of Japan discount facilities is limited because prime commercial bills are customarily required to use these facilities.

The combination of market practices and rate setting procedures leaves foreign banks at a competitive disadvantage in the commercial lending business.

Securities:

The transparency of the Japanese system continues to pose some difficulties;

Major problems of foreign firms seeking to do securities business in Japan derive from laws and policies inhibiting the introduction of innovative products—raising issues not normally considered national treatment issues.

Membership on the Tokyo stock exchange continues to be a fixed number which effectively denies access to firms which have expressed interest.

Foreign firms receive a disproportionately small share of five and ten-year government bonds issued through the bond underwriters syndicate system.

In authorizing rating companies to rate Euroyen, Samurai, or Shogun securities, the Ministry of Finance applies different eligibility criteria to foreign and domestic firms.

Issues raised by American financial executives in Tokyo

In addition to the issues raised above, U.S. executives in Tokyo have described to Committee staff numerous remaining problem areas.

Cross-subsidization of loan business, practicing "classic dumping" to attract high-quality corporate clients;

Lack of management and participation in underwriting securities;

Restrictions on the size of open positions in foreign exchange dealings;

Artifically high fees on foreign exchange transactions through Japanese brokers;

Inability of security firms to deal foreign exchange—limiting the ability to do swap arrangements (swaps involve raising funds in one currency and then converting the proceeds to another).

Equity interest of Japanese financial concerns in nonfinancial corporations (they are allowed to own up to 5 percent) gives an inherent advantage in attracting corporate clients;

The Marayu tax system which exempts some deposits at financial institutions from taxation gives Japanese firms with this deposit base on advantage in raising low cost funds;

Auction markets in government securities don't exist for the 10 year maturity bonds, which account for around 85 percent of volume. And foreign firms have minuscule allocations through the government bond underwriting system through which 10 year bonds are issued;

Tax impediments obstruct the growth of the offshore market;

Foreign firms are precluded from meaningful participation in the Japanese domestic bond market: Big Four Japanese securities firms control the Securities Dealers Assoc. which works initimately with the Ministry of in rulemaking. Foreign firms are excluded from meaningful participation.

Lack of liberalization of the short-term money market impedes the ability of foreign firms to raise funds;

Bank capital requirements are higher for foreign firms than Japanese firms.

Reciprocity versus national treatment

National treatment forms the official basis for U.S. policy regarding treatment of foreign and domestic financial firms here and abroad. But the notion of reciprocity has never been far in the background. The 1986 National Treatment Update addresses the inability of firms to offer innovative products in the Japanese market (p. 85). American firms feel they are thereby denied business opportunities in are as of competitive strength. At the same time, the ability of U.S. and Japanese firms to offer these products in America allows the Japanese to develop expertise that can be applied when further liberalization does occur in Japan. This experience and their dominant position in the home market give them the edge necessary to capture this market. Thus, national treatment without reciprocity denies American firms current opportunities while laying the groundwork for future Japanese advantage.

In a letter to Senator Chiles, Mr. Corrigan defends the concept of national treatment, but then goes on to say that further access of Japanese firms to U.S. opportunities "must depend on a steady flow of complementary policy actions in key markets abroad." Thus, reciprocity is held out as important for further market opening here.

S. 1233 creates upon enactment a systematic, long-term mechanism for achieving access of U.S. financial firms to foreign markets. It establishes a means through which acquisitions by foreigners of United States financial enterprises could be made contingent on the access of U.S. financial firms to foreign financial markets.

An interagency review board is created; its members are the Secretary of Treasury (who shall serve as Chairman), the USTR, the Secretary of Commerce, the Chairmen of the Federal Reserve Board, the Federal Home Loan Bank Board, the SEC, and the FDIC, and the Comptroller of the Currency.

The Board can disallow a proposed acquisition by a member of a foreign country that denies to American financial enterprises in foreign countries either national treatment or the market opportunities available to foreign concerns in the U.S.

The Board is instructed to look beyond the national treatment standard and consider whether our firms abroad have the effective market opportunities that foreign firms enjoy here. The intent of the legislation is that national treatment is an incomplete standard as applied to the major money market centers—New York, London, Tokyo, etc. Today, major multinational financial institutions move funds instantaneously between money centers and can use profits garnered in one market to support activities in others.

It is unacceptable for one center to exclude the activities at which its international competitors have a comparative advantage. It is unacceptable for the Japanese market to limit activities at which American and European firms excel—swaps, options, futures—while Japanese firms are free to pursue their areas of strength here in areas such as wholesale lending, letters of credits, and guarantees.

What is needed is movement toward world standards for the major financial centers. Free trade in services demands that firms can pursue their areas of comparative advantage under similar standards.

The bill gives the review board the discretionary power to hold up foreign acquisitions. Recognizing the difficulty of applying a reciprocity concept on a one-for-one basis, the bill does not require, but only empowers, the board to act. Our financial officials are given powers that allow them to bargain with authority in opening foreign markets.

Organizational structure of the U.S. Trade Administration

Summary description

The U.S. Trade Administration will have four Deputy Trade Representatives as follows:

(i) Deputy Trade Representative for Trade Policy and Negotiation;
(ii) Deputy Trade Representative for Management;
(iii) Deputy Trade Representative, Geneva; and
(iv) Deputy Trade Representative for Economic Policy.

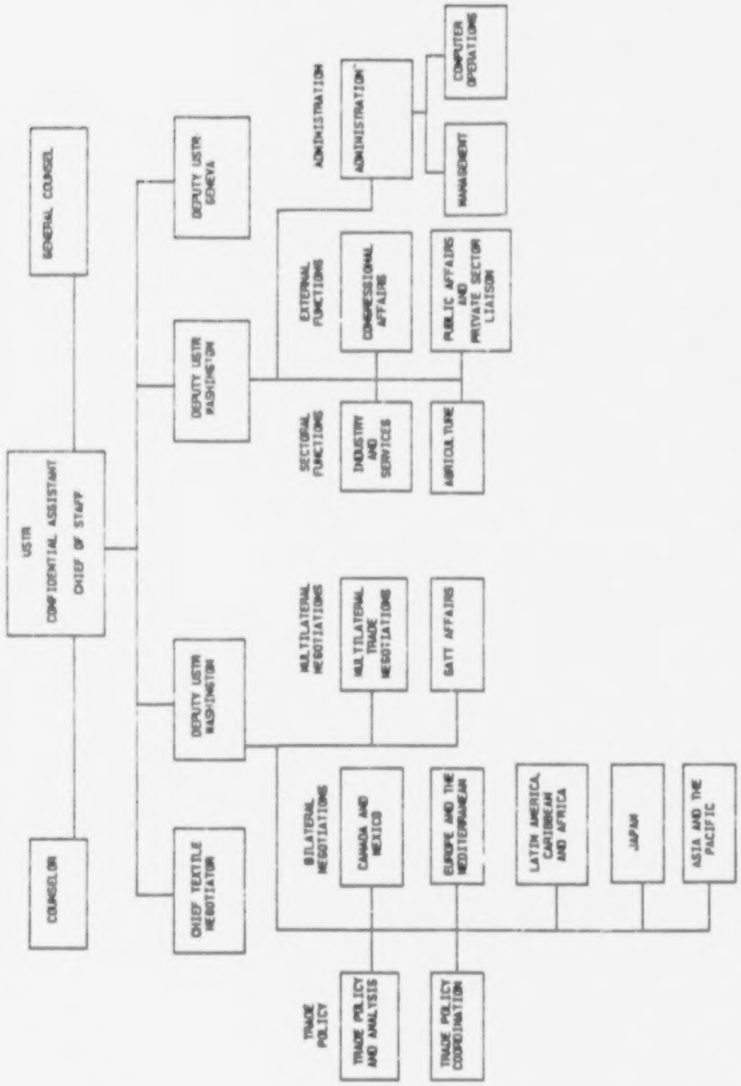
The Deputy Trade Representative for Economic Policy will oversee the functions of the current Assistant Secretary of Commerce for International Economic Policy, and the Offices of Industry and Services and Agriculture currently under the Deputy Trade Representative for Management.

The USTA will also have an independent Office of Trade Enforcement Programs, headed by a Director. The Office will carry out the functions currently discharged by the Assistant Secretary of Commerce for Trade Administration.

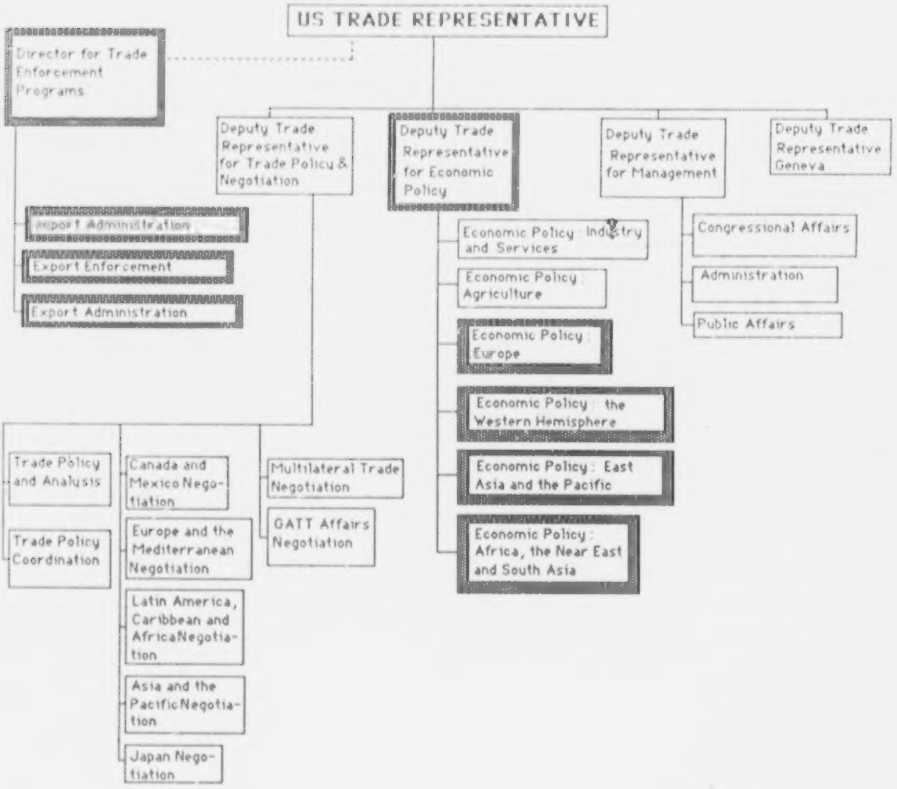
The effective date for the reorganization is January 20, 1989.

The following two organizational charts depict the current Office of the USTR and the new USTA, respectively.

THE OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE


USTR
CONFIDENTIAL ASSISTANT
CHIEF OF STAFF
COUNSELOR
GENERAL COUNSEL
CHIEF TEXTILE NEGOTIATOR
DEPUTY USTR WASHINGTON
DEPUTY USTR WASHINGTON
DEPUTY USTR GENEVA
TRADE POLICY
TRADE POLICY AND ANALYSIS
TRADE POLICY COORDINATION
BILATERAL NEGOTIATIONS
CANADA AND MEXICO
EUROPE AND THE MEDITERRANEAN
LATIN AMERICA, CARIBBEAN AND AFRICA
JAPAN
ASIA AND THE PACIFIC
MULTILATERAL NEGOTIATIONS
MULTILATERAL TRADE NEGOTIATIONS
GATT AFFAIRS
SECTORAL FUNCTIONS
INDUSTRY AND SERVICES
AGRICULTURE
EXTERNAL FUNCTIONS
CONGRESSIONAL AFFAIRS
PUBLIC AFFAIRS AND PRIVATE SECTOR LIAISON
ADMINISTRATION
ADMINISTRATION*
MANAGEMENT
COMPUTER OPERATIONS

UNITED STATES TRADE ADMINISTRATION


US TRADE REPRESENTATIVE
Director for Trade Enforcement Programs
Deputy Trade Representative for Trade Policy & Negotiation
Deputy Trade Representative for Economic Policy
Deputy Trade Representative for Management
Deputy Trade Representative Geneva
Import Administration
Export Enforcement
Export Administration
Economic Policy: Industry and Services
Economic Policy: Agriculture
Economic Policy: Europe
Economic Policy: the Western Hemisphere
Economic Policy: East Asia and the Pacific
Economic Policy: Africa, the Near East and South Asia
Congressional Affairs
Administration
Public Affairs
Trade Policy and Analysis
Trade Policy Coordination
Canada and Mexico Negotiation
Europe and the Mediterranean Negotiation
Latin America, Caribbean and Africa Negotiation
Asia and the Pacific Negotiation
Japan Negotiation
Multilateral Trade Negotiation
GATT Affairs Negotiation

KEY

▨ Transfer from former Commerce Department

NOTE
The following offices are part of the U.S. Trade Administration but are not shown on the chart: (i) Chief Textile Negotiator; (ii) General Counsel; and (iii) Counselor.

D. CONSENSUS-MAKING

Council on Economic Competitiveness and Competitive Impact Statements on the Budget

The preeminence of the United States in international economic competition is seriously threatened and the insulation of U.S. domestic markets from such competition is at an end. Moreover, the United States has been slow to accept and adapt to the new reality of a highly competitive marketplace. It has failed to regard the industrial development of competing countries as a challenge and an opportunity for its own economic growth. Some of the major consequences of this failure to adapt are unnecessary plant closings, high unemployment, and a deterioration in the quality of jobs available to American workers. To be successful in the world arena, the United States must reverse the erosion of the comparative advantage of its basic industries in a number of areas, including innovation, investment, and productivity.

Efforts to reverse the decline of American industry have been hindered by a number of factors. One of these factors is a serious erosion in the institutions that foster United States competitiveness. We suffer from a lack of high quality domestic and international economic and scientific data needed to reveal our sectoral strengths and weaknesses, identify potential new markets and future technological trends, and generate necessary information about the strategies of our foreign competitors. This situation has been made worse by the lack of coherent and consistent government competitiveness policy.

The Committee believes that helping to foster the competitiveness of United States industries is a proper and necessary role for government, working with the private sector. At present, competitiveness policy in the United States is composed of a myriad of government programs and regulatory oversight functions which are not coordinated, cohesive, or consistent. While our nation benefits when business, labor, government, academia, and public interest groups work together cooperatively, there exists no effective, high-level forum for developing a consensus on competitiveness policy. The decline in United States economic competitiveness endangers the economic stability of the United States. Such decline also endangers the ability of the United States to maintain the defense industrial base which is necessary to the national security of the United States.

Progress on the issue of competitiveness requires a recognition that the world is moving rapidly toward the creation of an interdependent economy, a world economy in which the policies of one nation have a major impact on other nations. For the United States to compete effectively in such a world economy requires integrated solutions to such issues as trade and investment, research, science and technology, education, and labor retraining and adjustments. Effective competition by the United States in the world economy has been inhibited by the lack of integrated institutional mechanisms to indentify the problems of particular industries and sectors and to develop specific solutions to those sectoral problems within the broader range of a national competitiveness policy. Thus, the Committee believes it is now imperative that government, business, labor, academia, and public interest groups act together to consider and coordinate long-range strategies for helping to assure the international competitiveness of United States industries.

The incoherence of our approach to trade and industrial problems have been described many times. The President's Commission on Industrial Competitiveness reported that there are 2800 public/private sector advisory groups with an official advisory role to the Federal government, all of which have a very specialized role. While the Administration claims that the existence of so many advisory groups shows the lack of need for a consensus-making council, the committee believes the proliferation of specialized advisory groups demonstrates exactly how the current process fails. With so many specialized advisory groups, a coherent review of Federal policies and an ability to forge a national consensus around strategies for fostering the growth and competitiveness of the U.S. economy is almost impossible. While such a council will not replace the existing system of advisory groups, it will create the needed focal point for discussion, review and recommendations.

The Committee has acted in the past to meet this need. It voted to create, as part of the Trade Reorganization Act of 1983, an Office of Competitive Analysis. While the proposed Council on Economic Competitiveness shows many similarities with that office, it is quite different. The Council will provide an external and independent voice for review and analysis of government policies, something that an office within an Executive department cannot do.

During the Committee's hearings, a number of witnesses, including representatives of the National Association of Manufacturers and the AFL-CIO, expressed the need for such a council. In particular, Howard D. Samuel, President of the AFL-CIO, said, "I believe it is imperative to enlist the talent, the experience, and the support of the private sector in our efforts. The Council on [Econimic] Competitiveness could become the keystone of this cooperative effort. It deserves the support of Congress."

One of the major tools for reviewing the competitiveness impact of Federal policies is a review of the Federal budget. More than any other single piece of legislation, the budget embodies the priorities and policies of the Federal government. For this reason, review of the budget by the Council and the requirement that OMB and CBO prepare statements detailing the effect of the budget on the ability of U.S. firms to compete in international markets is essential.

The legislation creates upon enactment the CEC as an independent body for review of and advice to the Federal government on problems facing the U.S. in competing in the new global economy. The Council is intended to serve as a external forum for the discussion of problems of economic competitiveness, a mechanism for the creation of solutions to those problems through the interaction of business, labor, government, academia and public interest groups, and a source of badly needed independent review of the policies of the Federal government, including the Federal budget.

The Council will be required to establish industry competitiveness subcouncils in sectors of national significance which the Council has identified as facing a significant likelihood of a competitive challenge or substantial dislocation; presenting significant opportunities for competing in new geographical markets or product areas; or facing a significant risk that the industries would be unable to compete successfully in significant future markets; and which the Council thinks could benefit from the creation of such a subcouncil.

The Council will have the discretion to select the subcouncil members, who are to include representatives of business, labor, government, and other individuals whose participation is considered important for developing a full understanding of the situation confronting the industry. The subcouncils will meet to formulate specific recommendations for business, labor and government relating to adjustment, modernization, competitiveness and taking advantage of new markets, depending upon the nature of the challenge, risk, or opportunity. The subcouncils are to be temporary, terminating 30 days after they make their recommendations to the Council.

E. STUDIES

Commission on U.S. Trade in the 1990s

The United States has a serious trade problem. In 1986, the U.S. Trade deficit reached a record of $169.7 billion—breaking the previous record of $148.4 billion set only the year before. While imports have continued to grow, exports have stagnated.

One of our major problems is the lack of a coherent and effective international trade policy. There now exists a serious failure on the part of the Federal government to work in cooperation with American private enterprise to formulate a coherent and effective international economic policy that promotes trading opportunities for U.S. businesses. This failure puts the Federal government in the position of hurting rather than helping American industry.

As we enter the new Uruguay round of multilateral trade negotiations, the Committee believes there is a need to renew our efforts to formulate a coherent and effective trade policy. We need an immediate study of international trade and export policies and practices for the United States over and beyond larger studies of our economic competitiveness. We cannot expect to successfully conduct international trade negotiations unless we can reach a consensus as to what our goals should be. A bipartisan national commission conducting a study of U.S. trade policy would help build that consensus.

The legislation creates upon enactment a bipartisan national commission to study the U.S. trade problem and make recommendations. The Commission will focus on the various aspects of the trade deficit, including the relationship between trade and international economic policies and the importance of export promotion, with the purpose of developing specific recommendations. Because of the specific focus and its one-year life, the Commission will complement the activities of other organizations working in the same area.

Competitiveness studies

The trade deficit and declining competitiveness in the United States are issues difficult to separate. Yet competitiveness depends on many different factors, some of which have not been fully explored. The legislation mandates upon enactment four studies of issues directly affecting the United States' competitive position; U.S. barriers U.S. exports; resource needs in key industrial sectors; linkages between the manufacturing base and other economic sectors; and the impact of foreign financial and regulatory systems on United States businesses.

The Study of United States Barriers to United States Exports will annually identify existing U.S. barriers to U.S. exports and calculate the increased value of exports that could be expected from the removal of such barriers. The study will note national security concerns and other rationales for such barriers.

The Study on Resource Needs will assess the resource needs in emerging technologies using input-output analysis of key industrial sectors to examine the labor and physical resource requirements for the overall economy as well as for critical technologies.

The Study on Manufacturing, will examine the dependence of various vital service and high technology on the manufacturing base.

The final study, on the Competitive Impact of Foreign Financial and Regulatory Systems, will examine annually the impact of foreign financial and regulator systems on the ability of U.S. businesses to compete in domestic and foreign markets.

State job bank systems and portable pension study

The Federal Employment Service operates 2,600 local offices that are responsible for worker testing, counseling and job placement services. However, the system is severely under-used, the Committee finds, with only a small portion of all jobs ever listed and, with half of those that are listed minimum-wage jobs that last for less than six months. Only 7 percent of job seekers receive counseling, only 2 percent receive training, and less than 25 percent are eventually employed. The failure of this system can be traced primarily to a lack of resources. Fewer than half the states have had sufficient funds to computerize their job banks. Although there is no corresponding Federal effort, the Department of Labor still manages its interstate exchanges of job information by having data mailed to Albany, New York, where it is sorted and then redistributed by mail. This is an inadequate system. As a result, the Committee believes it is necessary to provide sufficient funding for the Department of Labor to develop and implement computerized job bank systems throughout the Employment Service System.

The Committee also finds that one of the important barriers to labor full-force mobility is our current pension system, which is tied to the job rather than to the worker. Currently, our rapidly aging national work force avoids job changes to protect pension rights, and employers avoid older, more experienced workers to reduce their pension costs. There are those who believe, however, that pension considerations limit inefficient "job-hopping" and promote productive, longer-term employment relationships. Only about half of American workers are employed by firms offering pension plans, however, and few of those workers remain with the same firm long enough to qualify for a pension. The wide spread lack of pensions for American workers adds to insecurity at a time when turbulent and rapid change must be faced with confidence.

The legislation earmarks upon enactment sufficient funds for the Department of Labor to develop and implement computerized job bank systems thoughout the Employment Service System, and requires the Secretary of Labor to carry out a study on portable pensions and dislocated worker health benefits.

IV. SECTION-BY-SECTION ANALYSIS

Purpose: To establish as an executive department of the Government a Department of Industry and Technology, to establish within that Department the Advanced Civilian Technology Agency, to establish the United States Trade Administration, and other purposes.

TITLE I—TRADE AND TECHNOLOGY POLICY

SUBTITLE A—DEPARTMENT OF INDUSTRY AND TECHNOLOGY

PART I—GENERAL PROVISIONS

Sec. 101—Short title

This section gives the short title of the bill.

Sec. 102—Findings

This section describes the current state of the American economy and competitiveness policy.

The globalization of the world marketplace and the increasing competitive pressure on the U.S. economy has made the expansion of U.S. trade through aggressive promotion and marketing of American goods and services as well as the acceleration of technology development and application principal national goals. Business, labor, and government should join efforts to develop methods and policies to achieve these objectives. In particular, the United States needs a cohesive Federal Government policy to restore the competitive edge to U.S. industries and to provide appropriate incentives for the development and application of advances in technology. The present organizational structure for Government administration of international trade and technology advancement activities is not equipped to successfully carry out the appropriate role of government in this area. Reorganization of government functions relating to these fields—through the establishment of a Department of Industry and Technology, an Advanced Civilian Technology Agency, and a United States Trade Administration—will help eliminate the problems and attain the goals described above and therefore improve the economic welfare of the American people.

Sec. 103—Definitions

This section outlines standard definitions of personnel, offices, and functions created below.

PART II—ESTABLISHMENT AND ORGANIZATION

Sec. 111—Establishment of Department

This section establishes the Department of Industry and Technology.

A Department of Industry and Technology is created in the Executive Branch to provide leadership in the promotion of domestic industries in the international marketplace. This action is taken because the current structure of the Federal Government has not kept pace with the internationalization of the American economy and the changing nature of competition the United States faces from abroad. The Department of Industry and Technology is given lead agency responsibility for enhancing U.S. economic competitiveness. The Department is structured to (1) promote exports of U.S. goods and services; (2) facilitate the development and expansion of U.S. industries; (3) eliminate the artificial bifurcation between domestic and international considerations in both the current commercial promotion policy-making and economic analysis apparatus; and (4) to provide an institutional responsibility for polices and programs to enhance the competitiveness of U.S. firms through the development and application of technology in the civilian sector.

The Department of Industry and Technology is established primarily by reorganizing existing offices and responsibilities of the Department of Commerce along clearly delineated functional lines. The two major thrusts of this reorganization are to aggregate the offices which contribute to commercial promotion and economic analysis under an Under Secretary for Industry, and to aggregate the offices which facilitate the development and application of technology under an Under Secretary for Technology. Several new units and initiatives are created to augment the Department of Industry and Technology's ability to carry out its mission. The new Department retains Under Secretaries for the National Oceanic and Atmospheric Administration and for travel and tourism.

Sec. 112—Principal officers

This section describes the principal officers in the Department of Industry and Technology.

Sec. 113—Functions of the Secretary

This section describes the functions of the Secretary of the Department.

The Secretary of the Department of Industry and Technology is to take those actions which will foster the international competitiveness of U.S. companies. This is to be achieved through promoting growth in the commercial sector by increasing participation in the global marketplace and by encouraging the private sector to develop new products and apply new processes. In doing this, it is the responsibility of the Secretary to coordinate the various policies and programs with the Department. Since there is no single reason for the competitiveness problems American firms are experiencing, there cannot be one solution. Both domestic and international aspects are to be considered, and integration of the various elements involved is to be undertaken by the Secretary.

Policy coordination for all activities related to the Department's mission is to be achieved through the Office of the Secretary. This responsibility pertains to both internal policies and to those which relate to commercial promotion, technology development and application, and economic analysis throughout the Government. The Secretary is to ensure that the Department's policies and programs are not at cross purposes with other government actions inasmuch as many Federal units have some jurisdiction over similar issues.

Consensus building between industry, labor, academia, and government on issues of competitiveness is a function of the Secretary. This is to help provide support for the activities of the Department and to improve the performance of various industry sectors in order to contribute to economic growth. Input from the States is also to be pursued. In providing for policy development and coordination, the Secretary is charged with attempting to provide a long-term perspective to decision-making and programming. He/she is also responsible for integrating technological concerns into commercial promotion policies as they relate to economic competitiveness.

The Secretary is mandated to develop, collect, and analyze domestic and international economic and technological data and to disseminate such information to public and private organizations and individuals. This is necessary for informed decision-making both within the Department and within the business community.

Sec. 114—Office of the Under Secretary for Industry

This section creates an Office of the Under Secretary for Industry to focus on improving U.S. economic competitiveness and conducting analyses of domestic and international economic activity.

The Under Secretary has responsibility for fostering both domestic and U.S. foreign commerce. In addition, his/her mandate is to collect, analyze, and disseminate information on domestic and international markets, trade, investment, and other economic activity on which private and public sector decisions are made.

The Office of the Under Secretary for Industry is to be comprised, in part, of those units of the existing Department of Commerce which support commercial promotion activities and conduct economic analyses. The Office will include both the Office of the Chief Economist and the Office of Strategic Resources formerly in the Office of Economic Affairs of the Department of Commerce. Reporting to the Under Secretary for Industry will be (1) the current Commerce Department units with trade promotion responsibilities including the U.S. and Foreign Commercial Service and the Office of Trade Development, formerly reporting to the Under Secretary of Commerce for International Trade; (2) the data and information analysis branches formerly under the Under Secretary of Commerce for Economic Affairs—the Bureau of Economic Analysis and the Bureau of the Census; (3) the Office of Economic Development; and (4) the Minority Business Development Agency. These offices will retain their current functions.

To meet the Office's mandate to encourage market development, the U.S. and Foreign Commercial Service will continue to develop and provide marketing information and expertise for the American export community. The Office of Trade Development will contrive to undertake analysis of international trade and investment policies pertaining to U.S. industries and to promote U.S. exports.

Information and statistics which are necessary to make decisions concerning the programs and policies of the Office of the Under Secretary for Industry will be provided by the Office of Economic Analysis, which will analyze the state of the U.S. economy and international economic activity. It will retain its current activities that pertain to the preparation, development, and interpretation of the national income and product accounts. Additional information will be provided by the Bureau of the Census, which will continue to collect, tabulate, and publish statistical data relating to the U.S. population and economy.

The Office of the Under Secretary for Industry will foster general domestic commercial development through the operations of the Economic Development Administration, which will continue to focus on growth in economically distressed areas as well as the generation of new jobs and the protection of existing ones. The Minority Business Development Agency will continue to assist the market promotion activities of the Office by encouraging the participation of minority companies.

Two offices have been added to the Office of the Under Secretary to enable it to meet its mandate most effectively. First, a new National Trade Data Bank will provide a mechanism to better develop trade and international economic information policy and improve the quality and availability of trade and international economic data. (See Title II, subtitle B below.)

Second, the Trade Remedy Assistance Center from the International Trade Commission is moved to the Office of the Under Secretary for Industry to better provide small industries with equal access to existing trade relief laws. This new Office of Small Business Trade Remedy Assistance will be required to provide a number of services to small businesses, including information on remedies available to them under the import relief laws, assistance in the preparation of petitions and applications to obtain such remedies, and payment for reasonable expenses incurred by small businesses in connection with the proceedings conducted under the trade relief laws.

Sec. 115—Office of the Under Secretary for Technology

This section creates in the Department an Under Secretary for Technology with responsibility for promoting the development and application of technology within U.S. industry.

The Under Secretary for Technology's mandate is to facilitate the generation of new products and services to be sold in the marketplace and new processes to improve the productivity and quality of goods and services produced. The Under Secretary for Technology will also be accountable for, among other things, assisting industry in the assessment of advances in domestic and foreign technology and for promoting cooperation between industry, academia, and Government (Federal, State, and local) in the development and application of technology.

The Office of the Under Secretary for Technology will include the functions of the current office of the Assistant Secretary for Productivity, Technology, and Innovation; additional functions mandated by P.L. 96–480, the Stevenson-Wydler Techology Innovation Act as amended by P.L. 99–502; and those functions in the Office of the Under Secretary of Commerce for Economic Affairs that relate directly to managing the current Office of the Assistant Secretary for Productivity, Technology and Innovation.

Except for the National Oceanic and Atmospheric Administration, all the existing technology-related units of the Department of Commerce will report to the Under Secretary for Technology. These include the National Bureau of Standards, the Patent and Trademark Office, the National Technical Information Service, and the Assistant Secretary for Communications and Information.

The National Bureau of Standards will continue to provide industry with measurement and technical assistance necessary for increasing productivity, innovation, and competitiveness. The Patent and Trademark Office will continue to administer the patent system and thus serve to protect and advance U.S. industry's investment in research and development. The National Technical Information Service will continue to be the central source for the public sale of government-sponsored technical reports, computer software, and data files, as well as the leasing of intellectual properties generated by and for the U.S. Government. The Office of Communications and Information will continue to support the growth and application of communications technology and services and the development of policies regarding information-related activities.

A new Office of Technology Information with an Assistant Secretary is created and will report to the Under Secretary for Technology. This office will be responsible for the collection and analysis of data and information relevant to the development and use of technology, both domestic and foreign; for implementation of the provisions of the Japanese Technical Literature Act; for interagency coordination of such data and information; and for dissemination to the public. The Director of the National Technical Information Service will report to the Assistant Secretary for Technology Information.

In addition, a new Office of International Technology Monitoring, reporting to the Assistant Secretary for Technology Information, is established to provide for the compilation and dissemination of information on foreign science and technology collected throughout the Federal government by such groups as the Foreign Service Science and Technology Officers, the overseas offices of the National Science Foundation, the National Aeronautics and Space Administration, the Department of Energy, the Office of Naval Research and the Defense Intelligence Agency's Project Socrates. The Office is to work with other Federal agencies to identify emerging areas of technology throughout the world and to identify the requirements of the public and private sector for information concerning international scientific and technological information. In addition, the Office will develop and administer programs involving the identification of the ownership of United States patents and determine trends in patent behavior throughout the world.

The Office of International Technology Monitoring will coordinate its activities with the collection activities of all other agencies of the Federal government and is to work closely with the NTIS to assure dissemination of the information. The Office, as part of its duties, is to ensure broad private sector knowledge of, and access to the findings, data, and other information made or acquired by the Office in carrying out its functions.

Also established and reporting to the United Secretary for Technology is the Advanced Civilian Technology Agency (discussed below).

Sec. 116—Travel and Tourism Administration

The Department will include an Under Secretary of Industry and Technology for Travel and Tourism who will be the head of the United States Travel and Tourism Administration. The Administration will perform the duties and functions of its predecessor at the former Department of Commerce.

Sec. 117—National Oceanic and Atmospheric Administration

The Department will include an Under Secretary of Industry and Technology for Oceans and Atmosphere who will be the head of the National Oceanic and Atmosphere Administration. The Administration will perform the duties and functions of its predecessor at the former Department of Commerce. There will also be an Assistant Secretary for Oceans and Atmosphere.

Sec. 118—Additional Offices

There will be two additional Assistant Secretaries who will act upon specific instructions from the Secretary. A General Counsel will provide legal assistance to the Secretary concerning the Department and there will be an Inspector General.

PART III—ADVANCED CIVILIAN TECHNOLOGY AGENCY

Sec. 121.—Establishment of Agency

This section establishes an agency within the Department to promote the development and application of advanced technologies.

A key factor contributing to the country's competitiveness problems is that, from the perspective of the nation as a whole, U.S. companies are not sufficiently or expeditiously exploiting the results of scientific endeavors and applying them in the commercial arena. Various elements contribute to this situation, including a lack of economic incentives and high risk. It is an appropriate role of the Federal government to share some of the risk and alleviate some of the disincentives associated with the development of new technology, and its application by U.S. industry to products and services.

The mission of the Advanced Civilian Technology Agency (ACTA) is to promote and assist in the development of advanced civilian technological capabilities, and to facilitate the application of technology advances for commercial purposes.

Sec. 122—Functions of the Agency

The agency shall be managed by an Administrator who reports to the Under Secretary for Technology. In conjunction with the Under Secretary for Technology, the Administrator of ACTA shall be responsible for staffing the organization and for formulating and executing the agency's policies and programs.

The Administrator of ACTA shall be assisted by a small staff of professional personnel, initially to number not more than 35 persons, who shall be responsible for overall program preparation and management. Management of ACTA-sponsored research activities will not consist of micromanagement, but rather involve the facilitation and oversight of such activities. The staff should include senior scientific, engineering, and technical personnel recruited primarily from industry. Mechanisms such as Intergovernmental Personnel Agreements (IPAs), industrial loan programs, and other similar vehicles may be used as a means of obtaining staff. It is the intent of this legislation that the professional personnel shall not be long-term employees of ACTA, but that a turnover rate of 20–25% per year be planned after the third year of program operation.

The ACTA program will generally consist of funding activities that address specific, long-term, high risk, high impact areas of technological research, development, and application that are not otherwise being adequately carried out by the private sector, but which are likely to yield important commercial results. ACTA-sponsored projects will encompass the entire range of the process of technological advancement, from idea exploration to prototype development, leading to commercialization by the private sector. Initiatives such as the Sematech proposal could be considered as one type of effort ACTA could support. It is the intent of this legislation that ACTA funding shall be provided for a fixed period of time, or as determined by the requirement for successful technology development and application.

In carrying out the ACTA program, the Administrator shall coordinate closely with the Directors of the Defense Advanced Research Projects Agency (DARPA) and the National Science Foundation (NSF). The Administrator shall also seek the advice of the heads of the major Government R&D departments and agencies, as well as the Federal laboratories.

ACTA shall utilize the talents of research and development organizations (RDOs), which may include private sector firms, perhaps in combination with universities, to execute ACTA projects. Use of existing Federal science and technology resources, particularly the Federal laboratories, by the RDOs is encouraged. ACTA shall determine the professional and managerial qualifications of the RDOs that are selected to receive funding.

Sec. 123—National Advanced Civilian Technology Advisory Board

After consultation with leading industry groups, the Under Secretary for Technology shall establish a duly constituted National Advanced Civilian Technology Advisory Board to guide generally the overall program and direction of ACTA.

The Board shall consist of twenty-one members, primarily senior level national leaders representative of various U.S. industrial sectors including, but not limited to, manufacturing, advanced technology, technology-related services, finance, transportation, energy, materials, telecommunications, biotechnology, and medicine. Small, medium, and large firms shall be represented At least two-thirds of the members shall be drawn from industry with the remainder from academia, government, and the not-for-profit sector. In addition, the Directors of DARPA and NSF shall be on the Board.

The term of membership on the Board shall be for a period of three years and shall be staggered at one year intervals with seven new members appointed each year after the third year. The Board shall meet at least twice annually.

Sec. 124—Grants, contracts, and cooperative agreements

ACTA funds are provided to the RDOs in the form of grants, contracts, or cooperative agreements. ACTA is encouraged to utilize streamlined funding mechanisms. Other government departments and agencies may participate in funding ACTA projects. Most activities shall involve cost-sharing with the RDO. The amount of ACTA funding for any project shall take into account the level and nature of cost-sharing. The degree of cost-sharing required shall be determined as an ACTA policy by the Administrator. The Administrator of ACTA shall develop policies designed to allow the Government to recover some or all of its investment over the long term if an ACTA project results in profitable long-range commercialization.

Sec. 125—Authorization of appropriations

This section authorizes $80 million for fiscal year 1989, $160 million for fiscal year 1990, and $240 million for fiscal year 1991. The fixed, three-year funding authorization period is intended to give the Secretary of Industry and Technology and the Congress an opportunity to examine and assess the accomplishments of ACTA before seeking future funding.

The bill contains a sunset provision requiring the expiration of ACTA after three years unless reauthorized by the Congress.

PART IV—TRANSFERS TO THE DEPARTMENT

Sec. 131—Transfers from the Department of Commerce

Except for the functions transferred by section 164, all functions of the Secretary of Commerce and all functions of the Department of Commerce are transferred to the Secretary.

Sec. 132—Transfer from the United States International Trade Commission

All functions of the Trade Remedy Assistance Center of the United States International Trade Commission are transferred to the Secretary.

PART V—ADMINISTRATIVE PROVISIONS

Sec. 141–155

These sections describe the administrative authority for the Secretary.

SUBTITLE B—TRADE FUNCTIONS

PART I—GENERAL PROVISIONS

Sec. 161—Establishment of the United States Trade Administration

This section establishes the United States Trade Administration (USTA) as an independent agency within the executive branch of the Government. The Trade Administration will contain two offices transferred from the former Department of Commerce—the Office of the Assistant Secretary for International Economic Policy, and the Office of the Assistant Secretary for Trade Administration—in addition to the current Office of the U.S. Trade Representative. The purpose of transferring the two offices from the Department of Commerce is to strengthen the United States' ability to effectively achieve and implement trade agreements with other countries by housing trade policy-making and analysis, negotiation, and enforcement functions within one organization. The consolidation of trade functions is also aimed at reducing inefficiencies and duplication of efforts in the current Federal trade policy-making apparatus, establishing clearer lines of authority and responsibility, and providing for the formulation of a well-defined, strategic, rather than an unfocused, reactive trade policy.

The United States Trade Representative will head the U.S. Trade Administration and will continue to have cabinet-level status, the rank of Ambassador, and be directly responsible to the President. (The Trade Representative will also head the Office of Trade Policy Coordination, which will be located in the Executive Office of the President; see below.) There will be four Deputy United States Trade Representatives in the U.S. Trade Administration, each with the rank of Ambassador. The Deputy U.S. Trade Representative for Economic Policy will assume the functions carried out previously by the Assistant Secretary of Commerce for International Economic Policy. The Deputy U.S. Trade Representative for Trade Policy and Negotiation and the Deputy U.S. Trade Representative in Geneva will retain their current functions. The Deputy U.S. Trade Representative for Management will retain his/her current functions, except for functions related specifically to policy-making, analysis, and negotiation in the industrial, services, and agriculture sectors; these functions will be carried out by the Deputy U.S. Trade Representative for Economic Policy.

There is established within the United States Trade Administration an independent Office of Trade Enforcement Programs. The Director of the Office will perform the functions transferred from the Trade Administration office in the Department of Commerce. Further, the positions of Deputy Director of Trade Enforcement Programs for Import Administration, the Deputy Director of Trade Enforcement Programs for Export Administration, and the Deputy Director of Trade Enforcement Programs for Export Enforcement are established. These three deputy directors will perform the functions now performed by their analogue Deputy Assistant Secretaries of Commerce. The Committee emphasizes that it is the intent of this legislation that the relocation of the enforcement functions from the Commerce Department to the U.S. Trade Administration is not to affect in any way the execution of those functions.

A General Counsel and a Chief Textile Negotiator, who is to have the rank of Ambassador, will be appointed within the United States Trade Administration.

Sec. 162—Office of Trade Policy Coordination

This section establishes, within the Executive Office of the President, the Office of Trade Policy Coordination to be headed by the United States Trade Representative. Through this Office the Trade Representative will carry out the interagency trade policy coordination functions currently performed by the USTR. In so doing, this Office will preserve the Trade Representative's role as "honest broker" in the interagency trade policy-making process. It is the intent of this legislation that the Office will be staffed by a small group of ten to fifteen personnel.

Sec. 163—Functions of the administration

This section defines the functions of the United States Trade Representative.

This list reflects the Committee's objective in centraling primary trade policy responsibilities under one person. The U.S. Trade Representative will have the following responsibilities and functions: (1) developing and coordinating U.S. international trade policy; (2) serving as the President's chief advisor on international trade policy; (3) acting as the chief U.S. trade negotiator; (4) issuing guidance to other Federal departments and agencies on international trade matters; (5) acting as the President's chief spokesman on international trade; (6) administering the U.S. trade agreements program and reporting to the President and the Congress on this program; (7) advising the President and Congress on nontariff trade barriers, international commodity agreements, and other aspects of the trade agreements program; and (8) carrying out other duties currently performed by the United States Trade Representative.

The United States Trade Representative will carry out these functions through the United States Trade Administration. The Trade Representative will be the senior representative on any Presidential economic advisory body in which trade matters predominate, and will participate in all international meetings, including summits, at which international trade is a major topic.

Sec. 164—Transfers

This section effectuates the transfer of functions described above from the Department of Commerce to the United States Trade Administration.

PART II—ADMINISTRATIVE PROVISIONS

Sec. 171—183

These sections describe the administrative authority for the United States Trade Representative.

SUBTITLE C—ECONOMIC POLICY COUNCIL

Sec. 185—Establishment

This section establishes the interagency Economic Policy Council in the Executive Office of the President. The Council currently exists; this legislation simply codifies it into law. The Council will advise the President on matters of trade, monetary, fiscal, international financial, foreign aid, and investment policies, and will be the primary interagency coordinating body on all economic issues for the President. The members of the Council will be the President, who shall preside over the Council, the Vice-President, the Secretaries of State, Treasury, Defense, Agriculture, Industry and Technology (as established under section 111) and Labor, the United States Trade Representative, and the heads of other Federal agencies which the President may designate. The United States Trade Representative will preside over the Council, in the President's absence, on international trade matters. The Trade Policy Committee, provided by current law as the interagency trade advisory group for the President, will be terminated.

The President will appoint an Executive Secretary for the Council and provide whatever other staff may be needed. It is the intent of this legislation that the total staff of the Council's Executive Secretariat be kept at a small number, say, 10 professionals, who will work with the staffs of the Members of the Council.

The Governmental Affairs Committee is concerned that the formulation of U.S. international trade policies and objectives is not given consideration relative to the formulation of other U.S. economic policies and objectives. Thus, it is the purpose of this legislation to: (i) consolidate and integrate interagency trade policy coordination activities currently performed by the Trade Policy Committee with the overall interagency economic policy coordination activities currently performed by the Economic Policy Council; and (ii) ensure that the U.S. Trade Representative is the senior official in charge of trade matters in the interagency economic policy coordination process.

SUBTITLE D—TRANSITIONAL, SAVINGS, AND CONFORMING PROVISIONS

Sec. 191-198

These sections provide for the transition to the new Department and USTA. This section also provides for an effective date of January 20, 1989 for Title I of this bill.

TITLE II—INTERAGENCY COMMITTEES AND COMMISSIONS

SUBTITLE A—COUNCIL ON ECONOMIC COMPETITIVENESS

PART I—ESTABLISHMENT OF COUNCIL

Sec. 201—Establishment

This section establishes the Council on Economic Competitiveness as an independent agency within the Federal Government.

Sec. 202—Duties of the Council

This section outlines the duties of the Council on Economic Competitiveness. The Council is to serve as a focal point for policies and programs designed to improve the economic competitiveness of the United States. To achieve this mission the Council is responsible for certain activities, including: information collection and analysis; consensus building between private and public sectors; monitoring of resources and activities devoted to competitiveness; assessment of Federal efforts in this area including a review of proposed policies and regulations and a review of the Federal budget; commenting upon private sector requests for assistance; and development of a national vision on competitiveness and specific policy recommendations. The Council is also mandated to report annually to the Congress and the President on the ability of the United States to compete internationally, on the status of major sectors of the economy, and on the affect of government policies on the ability of major sectors of the economy to compete internationally.

Sec. 203—Membership

This section establishes the membership and related operations of the Council. The Council will be comprised of 9 members—3 appointed by the President, 3 by the majority leader and minority leader of the Senate, acting jointly, and 3 by the Speaker of the House of Representatives. Membership shall be representative of leaders from business (including small business), labor, academia, public interest activities, and State and local government.

Sec. 204—Executive Director and staff

This section provides that the principal administrative office shall be a full-time Executive Director appointed by the Council. The Executive Director shall direct and appoint a professional staff within the provisions of Federal civil service laws and classifications. At least one staff member will be responsible for the affairs of each Council member.

Sec. 205—Powers of the Council

This section sets out the specific powers of the Council necessary to operate.

In addition to powers granted the Council necessary for operations, the Council will be required to establish industry competitiveness subcouncils in sectors of national significance which the Council has identified as facing a significant likelihood of a competitive challenge or substantial dislocation; presenting significant opportunities for competing in new geographical markets or product areas; or facing a significant risk that the industries would be unable to compete successfully in significant future markets; and which the Council thinks could benefit from the creation of such subcouncil.

The Subcouncil will have the discretion to select the subcouncil members, who are to include representatives of business, labor, government, and other individuals whose participation is considered important for developing a full understanding of the situation confronting the industry. The subcouncils will meet to formulate specific recommendations for business, labor, and government relating to adjustment, modernization, competitiveness and taking advantage of new markets, depending upon the nature of the challenge, risk, or opportunity. The subcouncils are to be temporary, terminating 30 days after they make their recommendations to the Council.

Sec. 206—Effect of foreign competition and technology on domestic industries

This section gives the Council the specific duty of reviewing all unclassified international agreements on trade, research, science, and technology. It is also responsible for monitoring, on an ongoing basis, the effects of international trade and foreign research, science, and technology on U.S. industries.

Sec. 207—Reports

This section requires the Council to prepare a report within one year on changes in Federal policy needed to enhance competitiveness. The Council is also mandated to report annually to the President and the Congress on the goals of the Nation to achieve a more internationally competitive economy, the policies needed to meet those goals, and a summary and analysis of existing policies.

Sec. 208—Authorization

This section authorizes $15,000,000 for fiscal year 1988.

Sec. 209—Definitions

This section defines the terms "Council" as the Council on Economic Competitiveness, "Member" as a member of the Council, and "United States" as the States, territories and possessions of the United States.

PART II—BUDGET IMPACT ON COMPETITION

Sec. 210—Analyses required

This section requires that the President submit with the budget a detailed competitiveness impact statement prepared by the Office of Management and Budget, in consultation with the Council of Economic Advisors, on the potential effects of the budget proposals on the international trade of the United States, the ability of U.S. firms to compete internationally and the balance of payments position of the United States. The Council on Economic Competitiveness shall review and comment upon the budget and the competitiveness impact statement. The Congressional Budget Office shall prepare a detailed statement covering the same factors as required by the OMB.

SUBTITLE B—NATIONAL TRADE DATA BANK

Sec. 211—Definitions

This section defines the terms "Committee" as the National Trade Data Committee, "Data Bank" as the National Trade Data Bank, and "Executive agency".

Sec. 212—National Trade Data Committee

This section establishes a National Trade Data Committee to coordinate the collection and dissemination of economic and trade information and to oversee economic and trade information policy. The Committee consists of the USTR, the Secretary of Agriculture, the Secretary of Commerce, the Secretary of Defense, the Secretary of Labor, the Secretary of the Treasury, the Secretary of State, the Director of Central Intelligence, the Director of OMB, the Chairman of the Federal Reserve Board, the Chairman of the ITC, and any other official of the Federal government who the President wishes to appoint. The Secretary of Commerce serves as Chairman.

Sec. 213—Functions of the Committee

This section sets out the functions of the Committee which are to formulate and implement a comprehensive international economic and trade information policy. The Committee is mandated to direct the Secretary of Commerce to establish a National Trade Data Bank and to develop policies and programs necessary for the operation of the Data Bank including guidelines for domestic and foreign data collection. Recommendations are to be made to Congress on the need for legislative changes to improve trade related information.

Sec. 214—Cooperation among executive agencies

This section requires all departments, agencies and instrumentalities of the Federal government, at their own expense, to furnish the Committee with such information as it may require to carry out its functions, and to adopt and implement the economic and trade data policies formulated by the Committee.

Sec. 215—Consultation with the private sector and Government officials

This section requires the Committee to regularly consult with the private sector and with Federal, State and local officials on ways to improve trade information collection and dissemination, and on what data is to be included in the National Trade Data Bank.

Sec. 216—Establishment of the Data Bank

This section requires the Secretary of Commerce to establish and maintain a National Trade Data Bank based on instructions from the Committee. The intent is to provide a coordinated mechanism to disseminate information relevant to international trade which has been compiled by the Federal Government. The data bank should cover two purposes: to provide international economic trade data that are useful to policymakers and analysts, and to provide information useful to U.S. businesses and government officials concerned with export promotion. In accordance with these two purposes, the Secretary shall establish two separate data systems.

The data system established to provide information on international economics and trade useful for policymaking and analysis should include data on (1) merchandise imports and exports; (2) international services transactions; (3) capital markets; (4) international labor markets; (5) international government policies affecting trade; and (6) U.S. import and export data on a State by State basis.

The data system established for export promotion should include information on (1) business activities in foreign countries; (2) specific sectors within foreign countries; (3) business opportunities in foreign countries; (4) market research analysis produced by the Federal government, (5) intellectual property rights; (6) export financing; and (7) trade actions of foreign governments.

In making the determination as to what data to include, the Committee shall insure that the Secretary consult extensively with representatives of the private sector, and State and local governments.

Sec. 217—Operation of the Data Bank

This section requires that the Trade Data Bank be managed by the Secretary of Commerce. The appropriate data processing and retrieval equipment is to be used. Information is to be available to U.S. firms, workers, industry associations, agricultural interests, State and local economic development agencies and other interested parties. The purpose is to provide quality information on a timely basis to help the trade policy-making process.

Sec. 218—Information on the service sector

This section requires service sector information to be included in the Data Bank. In addition the Secretary is required to survey unaffiliated service transactions. The index of leading indicators provided by the Committee must include service sector data.

Sec. 219—Exclusion of information

This section excludes both data which are collected in connection with an investigation as well as information which is prohibited from disclosure by any other provision of law. Also excluded from the Data Bank is material which is properly classified for reasons of national defense or foreign policy.

Sec. 220—Nonduplication

This section states that the data bank should not unnecessarily duplicate information available from other Federal agencies or the private sector. It is the intention of the legislaiton to create a coherent and consolidated trade and export promotion information system, not to place the Federal government in competition with the private sector or to eliminate other Federal information systems.

Sec. 221—Collection of data

The intent is to create a mechanism for the dissemination of information previously collected or complied by the Federal government, with the exception of the new information generated regarding the service sector.

Sec. 222—Fees and access

This section authorizes the Secretary to charge reasonable fees.

Sec. 223—Schedule for implementation

This section requires the Secretary to complete implementation of the data bank within two years after enactment.

Sec. 224—Report to Congress

This section requires the Committee to report back to Congress one year after enactment and for three years thereafter. The report shall include (1) an assessment of the quality, and accessibility of trade data; (2) actions taken regarding implementation of the provisions of this legislation; (3) future plans; and (4) recommendations for legislative and executive action.

SUBTITLE C—FINANCIAL ACQUISITIONS REVIEW

Sec. 231—Short title

This subtitle is cited as the Financial Acquisitions Review Act of 1987.

Sec. 232—Findings

This section summarizes several financial concerns as they relate to the competitiveness of American firms. United States financial enterprises have not been accorded full national teatment in foreign countries. United States financial enterprises have been denied many of the market opportunities available to foreign financial concerns in the United States.

Sec. 233—Definitions

This section defines relevant terms. A business concern provides financial services if that concern (1) acts as a broker or dealer as defined in section 3 of the Securities Exchange Act of 1934, (2) acts as a primary dealer of United States government securities, or (3) is a depository institution as defined in section 19 of the Federal Reserve Act. Falling under this definition are commercial banks, thrifts, savings and loans, securities' brokers and dealers, and primary dealers.

Sec. 234—Establishment of Board

This section establishes a review board to be composed of the Secretary of the Treasury, who shall serve as the Board's Chairperson, the Secretary of Commerce, the United States Trade Representative, the Chairman of the Board of Governors of the Federal Reserve System, the Chairman of the Federal Deposit Insurance Corporation, the Comptroller of the Currency, the Chairman of the Federal Home Loan Bank Board, and the Chairman of the Securities and Exchange Commission.

Sec. 235—Functions of the Board

This section mandates the functions of the Board which are to review any proposed acquisition of a United States financial business concern by a foreign business concern. In making its determination on the acceptability of the acquisition, the Board will consider whether (1) U.S. firms operating in that country's financial markets are accorded full national treatment and (2) U.S. firms' opportunities (both to acquire and do business) are effectively equivalent to the opportunities afforded foreign firms in the U.S. market.

It is the Committee's intent that the Board use its authority to press for the opening of markets and to gain effective access for U.S. financial concerns. Negotiations should be undertaken among representatives of the major money market center nations aimed at establishing a uniform set of standards that would apply in the money centers. Such standards would address national treatment issues as well as the nature and types of services to be offered.

The Board does not have to examine every proposed acquisition and give its approval. If the Board has not objected to the proposal in 30 days, approval its automatic.

Sec. 236—Powers

This section gives the Board the power to sue and be sued, complain and defend, in any Court; to adopt, amend, and repeal regulations relating to the conduct of its business; to appoint officers; to enter into contracts, etc.

Sec. 237—Annual report

This section requires an annual report.

Sec. 238—Authorization

This section authorizes $600,000 per year.

SUBTITLE D—COMMISSION ON UNITED STATES TRADE IN THE 1990's

Sec. 241—Establishment of Commission

This section establishes the Commission on United States Trade in the 1990's to study and make recommendations concerning international trade and export policies and practices of the U.S. The membership of the Commission is prescribed and includes members of the House and Senate as well as representatives from the private sector (business, labor, agriculture, and State Government). Members of the Commission are appointed for the life of the Commission. The operation of the Commission is defined.

The required study is to address specific topics including barriers to U.S. exports; U.S. import patterns; the competitiveness of American manufacturing; trade and international monetary policy relationships; the state of the U.S. economy; the role of state and local governments; and activities of our foreign competitors. The report is intended to help provide information for decision-makers in the public and private sectors.

The Commission shall issue its report to the President and Congress no later than January 1, 1989 and will terminate on that date.

Sec. 242—Authorization

This section authorizes such sums as necessary for fiscal years 1988 and 1989.

SUBTITLE E—STUDIES

The trade deficit and declining competitiveness in the United States are issues which are difficult to separate. Yet competitiveness depends on many other factors, some of which have not been fully explored. The following studies are mandated to provide information on which the public and private sectors can base decisions.

Sec. 251—Study of United States barriers to United States exports.

This section orders the Commerce Department to examine U.S. barriers to U.S. exports. The Commerce Department will annually identify existing U.S. barriers to U.S. exports and calculate the increased value of exports that could be expected from the removal of such barriers. The study will note national security concerns and other rationales for such barriers.

Sec. 252—Resource needs

This section authorizes the Department of Commerce to continue its study of resource needs in emerging technologies. Using input-output analysis of key industrial sectors, the study will examine the labor and physical resource requirements for the overall economy as well as for critical technologies.

Sec. 253—Manufacturing base

This section empowers the Department of Commerce to undertake a detailed study of the dependence of various vital service and high technology firms on the manufacturing base. The study will give a realistic picture of the damage inflicted by a deterorating industrial base on existing and emerging high growth industries.

Sec. 254—Impact of foreign financial and regulatory systems

This section orders the Federal Reserve to examine annually the impact of foreign financial and regulatory systems on the ability of U.S. businesses to compete in domestic and foreign markets.

SUBTITLE F—INTERAGENCY COORDINATING COMMITTEE ON FEDERAL PARTICIPATION IN SEMATECH

Sec. 261—Short title: findings

This section cites the title of this subsection as the Interagency Coordinating Committee on Federal Participation in Sematech Act of 1987.

The Congress finds that the cooperative initiative between the federal government and Sematech, a consortium of U.S. semiconductor device, equipment, and materials manufacturers, is in the national security and economic interest and therefore mandates this activity.

Sec. 262—Establishment

This section establishes the Interagency Coordinating Committee composed of the Secretary of Defense (Chairman), the Secretary of Commerce, the Secretary of Energy, the Director of the National Science Foundation, and the Chairman of the Federal Laboratory Consortium for Technology Transfer.

Within 90 days of enactment, a report on recommendations for federal involvement in Sematech is required. In consultation with

Sematech and a private sector advisory board, the Committee shall issue a report addressing (1) amounts of federal funding; (2) research to be supported by federal funds; (3) forms and types of federal financial assistance; (4) treatment of intellectual property rights; (5) facilitating compliance with the antitrust laws; and (6) description of the public purposes to be served by Sematech.

The operation and powers of the Committee are prescribed.

It is the intent of the legislation that consideration of these issues be undertaken as quickly as possible, and that efforts by Sematech to find and propose solutions to these issues actually precede enactment of this legislation.

Sec. 263—Advisory council

This section creates a private sector advisory council to assist the Federal Committee in preparation of the report and to advise the Committee in the varied aspects of federal participation in Sematech over the life of the project. The private sector advisory group is to be appointed by the President and composed of individuals from the semiconductor and related fields, individuals from the areas of technology and defense, and an individual representing small business.

The operation and powers of the Advisory Council are prescribed.

Sec. 264—Provision of Federal support

This section lays out the responsibilities of the Committee during the period of federal involvement in Sematech. The Committee is to: (1) monitor and consult with Sematech on the areas of research to be conducted, (2) with Sematech, develop mechanisms to ensure that such research is directed toward the most promising and productive areas, (3) make grants to, and enter into memoranda of understanding with Sematech to support research, (4) act as a liaison between Sematech and federal agencies, (5) ensure that proper procedures are established with respect to intellectual property, and facilitate compliance with the antitrust laws, (6) ensure an open and fair site selection process, and (7) develop criteria for selection that balances the continuing research needs of Sematech with the timely commencement of such research.

The federal share shall not exceed 50 percent of the total cost of the consortium.

Sec. 265—Reports and audits

This section requires reports and audits of the federal contributions to Sematech to ensure proper expenditure of federal funds.

Sec. 266—Definitions

This section provides relevant definitions. Sematech means a consortium of United States semiconductor manufacturers, materials manufacturers, and equipment manufacturers, established for the purpose of conducting research concerning advanced semiconductor manufacturing techniques and developing techniques to adapte manufacturing expertise to a variety of semiconductor products.

Sec. 267—Authorization of appropriations

This section authorizes $100,000,000 per year for fiscal years 1988, 1989, 1990, 1991, 1992.

SUBTITLE G—STATE JOB BANK SYSTEMS; PENSION STUDY

Sec. 271—State job bank systems

This section amends Title V of the Job Training Partnership Act to require the Secretary of Commerce to fund the computerization of job bank systems in each State. Funding is through the United States Employment Service. State input is required.

$50 million is authorized for fiscal year 1988 and such sums as necessary for the following years.

Sec. 272—Study on pension portability

The Secretary is required to undertake a one year study, starting within 6 months of enactment, on the feasibility of providing portable pensions; and of providing health benefits for dislocated workers; and of permitting early retirement benefits without penalty for older workers. The section authorizes such sums as necessary.

SUBTITLE H—COMMITTEE ON SYMMETRICAL ACCESS TO TECHNOLOGY RESEARCH

Sec. 281—Establishment of committee

This section establishes an interagency committee, the Committee on Symmetrical Access to Technological Research to assess the idea of availability of equally valued technological knowledge in foreign countries and its implementation in trade negotiations. The committee is charged with producing annual reports to Congress on this issue and setting negotiating goals for the United States Trade Representative. These should be designed to increase the degree of access the U.S. has to technological knowledge and information in other countries.

The Committee will be composed of the Chairman of the Federal Laboratory Consortium, the Secretary of Defense, the United States Trade Representative, the Secretary of State, the Director of the National Science Foundation, and the Secretary of Commerce. The Secretary of Commerce is designated the Chairman of the committee. The resources of these departments and agencies are available for use by the Committee.

The Committee's functions are delineated. It is expected that the Committee will attempt to develop the concept of symmetrical access, its relevancy to individual nation, and the effects on the U.S.

An annual report to Congress is mandated. It will include the country-by-country analysis done by the Committee, recommendations for policy changes that might improve symmetrical access, an explanation of the general concept of symmetrical access employed by the Committee, the negotiating goals for the USTR set by the Committee, and an assessment of the progress made by the USTR in reaching such goals.

V. HEARINGS

The Committee held seven days of hearings this Congress on competitiveness and trade legislation. Testimony was received from an extensive array of witnesses. The following individuals provided testimony:

MARCH 25, 1987

The Honorable James A. Baker III, Secretary of Treasury
The Honorable Malcolm S. Baldrige, Secretary of Commerce

MARCH 26, 1987

Dr. C. Fred Bergsten, Director, Institute for International Economics
Dr. Pat Choate, Director of Policy Analysis, TRW Inc.
Professor Stephen Cohen, University of California, Berkeley
Professor Michael Porter, Harvard Business School

MARCH 31, 1987

The Honorable William E. Brock, Secretary of Labor
Mr. Allen Wallis, Under Secretary of State for Economic Affairs

APRIL 2, 1987

Dr. Jordan Baruch, Former Assistant Secretary of Commerce for Science and Technology
Mr. Erich Bloch, Director, National Science Foundation
Dr. John Brademas, President, New York University
Admiral Bobby Inman, CEO, Westmark Systems, Inc.

APRIL 7, 1987

Mr. Howard Samuel, President, Industrial Union Department, AFL-CIO
Mr. Alexander Trowbridge, President, National Association of Manufacturers

JUNE 8, 1987

The Honorable Clarence J. Brown, Deputy Secretary of Commerce
Mr. Gary Horlick, Former Deputy Assistant Secretary of Commerce for Import Administration
Mr. William Lilley III, President, American Business Conference
Ambassador Alan Woods, Deputy United States Trade Representative

JUNE 9, 1987

Dr. Arden Bement, Jr., Vice President for Technology, TRW, Inc.
Dr. Craig Fields, Deputy Director, Defense Advanced Research Projects Agency
Dr. Robert Kahn, President, Corporation for National Research Initiatives
Dr. Robert Noyce, Vice Chairman, Intel Corporation
The Honorable Robert Strauss, Former United States Trade Representative

VI. TABULATION OF VOTES

The Committee considered S. 1233 on June 11, 1987, culminating with a vote of 8 to 0 to report favorably the legislation as amended to the full Senate.

Rollcall Votes in Committee

In compliance with paragraph 7(e) of rule XXVI of the Standing Rules of the Senate, the rollcall votes taken during Committee consideration of this legislation were as follows:

Pryor Amendment: To do no trade reorganization:

Rejected:

Yeas—3	Nays—8
Pryor	Chiles
Stevens (P)	Levin
Heinz	Mitchell
	Bingaman
	Roth
	Cohen
	Trible (P)
	Glenn

Glenn Amendment: To create an Office of Trade Policy Coordination, headed by the U.S. Trade Representative, inside the Executive Office of the President; to locate the USTA, headed by the U.S. Trade Representative, outside the Executive Office of the President; and to locate the enforcement functions in an independent office within the USTA:

Approved:

Yeas—13	Nays—0
Chiles	
Nunn	
Levin	
Sasser (P)	
Pryor	
Mitchell	
Bingaman	
Roth	
Stevens (P)	
Cohen	
Heinz	
Trible (P)	
Glenn	

Bingaman Amendments: Block vote for various interagency committees, councils, and commissions:

Approved:

Yeas—10	Nays—4
Chiles	Roth
Nunn (P)	Cohen
Levin	Rudman (P)
Sasser	Trible (P)
Pryor (P)	
Mitchell (P)	
Bingaman	
Stevens (P)	
Heinz	
Glenn	

S. 1233 Ordered Reported Out with Amendments:

Yeas—8	Nays—0
Chiles	
Levin	
Mitchell	
Bingaman	
Roth	
Cohen	
Trible	
Glenn	

(P) denotes proxy.

VII. Cost Estimate of Legislation

Dear Mr. Chairman: The Congressional Budget Office has prepared the attached revised cost estimate for S. 1233, the Economic Competitiveness, International Trade, and Technology Development Act of 1987. This estimate supersedes CBO's previous estimate, dated June 16, 1987, and reflects technical corrections made to the bill.

If you wish further details on this estimate, we will be pleased to provide them.

With best wishes,

Sincerely,

Edward M. Gramlich,
Acting Director.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: S. 1233.

2. Bill title: Economic Competitiveness, International Trade, and Technology Development Act of 1987.

3. Bill status: As ordered reported by the Senate Committee on Governmental Affairs, June 11, 1987.

4. Bill purpose: Title I of the bill would reorganize and rename the Department of Commerce (DOC) into a Department of Industry and Technology (DIT). In addition, the bill would change the Office of the U.S. Trade Representative (OUSTR) by transferring to it the functions of the Assistant Secretary for International Economic Policy and the Assistant Secretary for Trade Administration from the DOC and by changing its name to the U.S. Trade Administration (USTA). the Office of Small Business Trade Remedy assistance would be transferred from the International Trade Commission (ITC) to the new DIT. The bill authorizes $3 million in fiscal year 1989 and each succeeding year for this office to pay the expenses of small businesses in connection with any administrative proceedings regarding trade laws. The title also would create two new offices in the DIT: the Office of International Technology Monitoring, which would coordinate and disseminate information on technological and scientific developments worldwide, and the Advanced Civilian Technology Agency (ACTA), which would support advanced com-

mercial technology development and applications. The bill authorizes the appropriation of $2 million for 1989 for the Office of International Technology Monitoring, and $80 million, $160 million, and $240 million to ACTA for 1989, 1990, and 1991, respectively. Title I would also create the Economic Policy Council (EPC) within the Executive Office of the President (EOP) to advise the President on international economic policies. The EPC currently exists as an informal panel comprised of the heads of relevant executive agencies. In addition, title I would establish the Office of Trade Policy Coordination in the EOP that would be headed by the U.S. Trade Representative. This new office would replace the OUSTR as the responsible office for trade issues in the EOP. All provisions of this title, excepting transitional provisions, would take effect on January 20, 1989.

Title II of the bill would create six new federal agencies. The largest would be an independent Council on Economic Competitiveness established to review federal proposals affecting the ability of the United States to compete internationally. The bill authorizes the appropriation of $15 million for fiscal year 1988 for the council. An Interagency Financial Acquisitions Review Board would be created to screeen proposals by foreigners to acquire financial institutions in the United States; the board would be able to prohibit such an acquisition if a country denies market opportunities to U.S. financial enterprises. The bill authorizes $600,000 for the first-year operations of the review board. The bill would also establish a temporary Commission on U.S. Trade in the 1990s to study and report by January 1, 1989 on the long-range trade problem of the United States. The bill authorizes the appropriation of such sums as necessary for the commission. The bill also would establish the Interagency Coordinating Committee on Federal Participation in Sematech. Sematech is a semiconductor industry research consortium. The bill authorizes such sums as necessary in 1988 through 1992 for operation of the committee and $100 million for each of the same years for federal support of projects conducted by Sematech. Another interagency committee established by the bill is the Committee on Symmetrical Access to Technological Research. The committee would study and prepare an annual report on the degree of symmetrical access to research between the United States and other countries, and would recommend administrative and legislative changes in U.S. policy and negotiating goals for the U.S. Trade Representative. In addition, Title II would create a National Trade Deta Committee, chaired by the Secretary of Commerce and charged with establishing and maintaining a national data bank of trade information.

Other provisions of title II are designed to increase the amount of information available regarding the U.S. position in international trade. The bill would require each budget submitted by the President and each concurrent budget resolution to contain a statement of the budget or resolution's impact on the international trade of the United States and the competitiveness of U.S. firms. The bill would also require several studies on the competitiveness of the United States to be undertaken by the Secretary of Commerce and the Board of Governors of the Federal Reserve.

Title II also authorizes the appropriation of $50 million in 1988, and such sums as necessary in subsequent years, to the Department of Labor for the development and implementation of computerized job bank systems in each state. The bill also directs the Secretary of Labor to conduct a study on the feasibility of providing portability for pensions and health benefits for dislocated workers and the benefits of providing early retirement benefits without penalty for older dislocated workers.

5. Estimated cost to the Federal Government:

[By fiscal year, in millions of dollars]

	1988	1989	1990	1991	1992
Title I:					
DOC and OUSTR reorganization:					
Estimated authorization level		7			
Estimated outlays		7			
Office of Small Business Trade Remedy Assistance:					
Authorization level		3	3	3	3
Estimated outlays		2	3	3	3
Office of International Technology Monitoring:					
Authorization level		2			
Estimated outlays		2	(1)		
Advanced Civilian Technology Agency:					
Estimated authorization level		80	160	240	
Estimated outlays		36	105	180	111
Office of Trade Policy Coordination:					
Estimated authorization level		1	1	1	1
Estimated outlays		1	1	1	1
Title II:					
Council on Economic Competitiveness:					
Authorization level	15				
Estimated outlays	14	1			
Financial Acquisitions Review Board:					
Authorization level	1				
Estimated outlays	1	(1)			
Commission on U.S. Trade in the 1990s:					
Estimated authorization level	1				
Estimated outlays	1	(1)			
Interagency Coordinating Committee on Federal Participation in Sematech—operating expenses:					
Estimated authorization level	1	1	1	1	1
Estimated outlays	1	1	1	1	1
Support of Sematech projects:					
Authorization level	100	100	100	100	100
Estimated outlays	45	86	93	96	96
Committee on Symmetrical Access to Technological Research:					
Estimated authorization level	(1)	(1)	(1)	(1)	(1)
Estimated outlays	(1)	(1)	(1)	(1)	(1)
National Trade Data Committee and Bank:					
Estimated authorization level	5	5	3	3	3
Estimated outlays	4	5	4	3	3
Competitiveness studies:					
Estimated authorization level	1	1	1	1	1
Estimated outlays	1	1	1	1	1
State job bank systems:					
Estimated authorization level	50	52	54	57	59
Estimated outlays	10	50	52	55	57
Pensions and health benefits study:					
Estimated authorization level	(1)	(1)			

[By fiscal year, in millions of dollars]

	1988	1989	1990	1991	1992
Estimated outlays	([1])	([1])	([1])		
Total:					
Estimated authorization level	175	252	323	406	168
Estimated outlays	77	193	260	340	273

[1] Less than $500,000.

If the Office of International Technology Monitoring, Council on Economic Competitiveness, and Financial Acquisitions Review Board are continued beyond the authorized years at similar funding levels, total outlays resulting from the bill would be $15 million to $20 million higher than shown above in each of the fical years 1989 through 1992.

The costs of this bill fall within budget functions 370, 500, and 800.

Basis of estimate: This estimate assumes that this bill will be enacted prior to the beginning of fiscal year 1988 and that the amounts authorized will be appropriated. The estimates of outlays for the new agencies and programs are based on spending patterns of similar organizations and programs.

The estimated $7 million that would be required for reorganizing the DOC and the OUSTR is based on such factors as moving costs, salary differentials for executive level positions, and administrative costs of setting up two new agencies. A major part of this cost would arise from preparing work space for and moving approximately 1,050 personnel from DOC to USTA and from ITC to DIT, along with the associated equipment, furniture, and work materials. Based on information provided by the General Services Administration, total moving costs are estimated to be $3 million to $4 million. In addition, costs are likely to be incurred for various administrative activities associated with the reorganization, including planning, coordination of systems, personnel processing and printing. It is assumed that personnel and program requirements would not change significantly in response to the functional reorganization, except for changes in executive level positions as specified in the bill.

The Financial Acquisitions Review Board is authorized in the bill at $600,000. Since this is the amount estimated to be necessary to fund the board for one year, we have assumed this authorization to apply to fiscal year 1988. Appropriations of similar amounts would be needed in succeeding years to maintain the board's activities at the level required in the bill. The estimated authorization for the Commission on U.S. Trade in the 1990s—$1 million—is based on our review of the costs of similar temporary study commissions. The estimated authorization for operating expenses of the Interagency Coordinating Committee on Federal Participation in Sematech—$1 million per year—is based on the anticipated size and activities of the committee, as indicated by the number of staff specified in the bill. The estimated authorizations and costs for the Committee on Symmetrical Access to Technological Research and its required study are based on the costs of similar organizations and activities and are expected to be about $0.2 million annually. The estimated cost for the Trade Data Bank is based on information provided by the DOC for similar proposals; however, the estimated costs for this proposal are greater than those for some other proposals, because the bill establishes a National Trade Data Committee to oversee the Trade Data Bank and would require more types of information to be included in the bank.

The competitiveness studies required to be undertaken by the Secretary of Commerce include annual studies on U.S. barriers to domestic exports and the labor and physical resource needs of the overall economy, as well as critical and emerging technologies. Based on information provided by the DOC, these studies are estimated to cost about $1 million annually. The required one-time study by the DOC of the relationship between the manufacturing sector and other commercial activity is estimated to cost about $0.1 million. CBO estimates that for the Board of Governors of the Federal Reserve to prepare the study of the impact of foreign financial and regulatory systems on the ability of U.S. firms to compete will cost $0.2 million annually.

The amounts estimated to be necessary to support the State Job Bank Systems in 1989-1992 are based on the 1988 authorized level, adjusted for inflation. The estimated authorizations for the study of pensions and health benefits are approximately $400,000 in each of fiscal years 1988 and 1989, and are based on the cost of similar studies performed by the Department of Labor.

The statutory establishment of the EPC in the EOP is not expected to result in significant additional costs because the EPC currently exists as an informal panel. Neither is the requirement that a competitiveness impact statement be included in the President's budgets and Congressional concurrent budget resolutions expected to result in significant additional costs. To the extent that the organizations responsible for preparing these documents examine the impact of proposals on international trade, and further requirement of stating the results of the examination is not likely to result in significant additional costs.

6. Estimated cost to State and local governments: None.

7. Estimate comparison: None.

8. Previous CBO estimate: On June 16, 1987, CBO transmitted a cost estimate on S. 1233 to the Senate Committee on Governmental Affairs. This revised estimate reflects technical corrections made to the bill, affecting the authorization levels for the Council on Economic Competitiveness and State Job Bank Systems.

CBO has prepared and transmitted several cost estimates on the various titles of H.R. 3, the Trade and International Economic Policy Reform Act of 1987 to the House committees of jurisdiction, and several cost estimates on various other trade-related bills in the 100th Congress to the Senate committees of jurisdiction.

9. Estimate prepared by: Carol Cohen, Jim Hearn, and Marianne Deignan.

10. Estimate approved by: C. G. Nuckols for James L. Blum, Assistant Director for Budget Analysis.

VIII. REGULATORY IMPACT OF LEGISLATION

In accordance with paragraph 11(b) of rule XXVI of the Standing Rules of the Senate, the following statement of the regulatory impact of S. 1233 is made.

The bill would reorganize the Department of Commerce into the Department of Industry and Technology, enlarge the office of the Trade Representative and rename it the United States Trade Administration, and create an Advanced Civilian Technology Agency (ACTA) to fund research in technology development. The bill would also establish various councils and interagency committees, including a committee to coordinate Federal government participation in Sematech (a consortium of semiconductor device, equipment and materials manufacturers). The Committee finds that S. 1233 as reported will entail no significant additional regulation of any individuals or businesses, or result in any significant impact on the personal privacy of individuals. Recipients of funding from ACTA and through Sematech will be subject to federal contract and grant regulations, and the bill provides for reports by Sematech on its activities. The paperwork resulting from enactment, aside from that involved in funding recipients, will be minimal.

IX. CHANGES IN EXISTING LAW

In compliance with paragraph 12 of rule XXVI of the Standing Rules of the Senate, changes in existing law made by the bill are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, and existing law in which no change is proposed is shown in roman):

3 U.S.C. §19. VACANCY IN OFFICES OF BOTH PRESIDENT AND VICE PRESIDENT; OFFICERS ELIGIBLE TO ACT

(a) * * *

* * * * * * *

(d)(1) If, by reason of death, resignation, removal from office, inability, or failure to qualify, there is no President pro tempore to act as President under subsection (b) of this section, then the officer of the United States who is highest on the following list, and who is not under disability to discharge the powers and duties of the office of President shall act as President: Secretary of State, Secretary of the Treasury, Secretary of Defense, Attorney General, Secretary of the Interior, Secretary of Agriculture, ⟦Secretary of Commerce,⟧ *Secretary of Industry and Technology,* Secretary of Labor, Secretary of Health and Human Services, Secretary of Housing and Urban Development, Secretary of Transportation, Secretary of Energy, Secretary of Education.

* * * * * * *

5 U.S.C. § 101. EXECUTIVE DEPARTMENTS

The Executive departments are:
The Department of State.
The Department of the Treasury.
The Department of Defense.

The Department of Justice.
The Department of the Interior.
The Department of Agriculture.
[The Department of Commerce.]
The Department of Industry and Technology.
The Department of Labor.
The Department of Health and Human Services.
The Department of Housing and Urban Development.
The Department of Transportation.
The Department of Energy.
The Department of Education.

* * * * * * *

§ 5312. Positions at level I

Level I of the Executive Schedule applies to the following positions for which the annual rate of basic pay shall be the rate determined with respect to such level under chapter 11 of title 2, as adjusted by section 5318 of this title:

Secretary of State.
Secretary of the Treasury.
Secretary of Defense.
Attorney General.
Secretary of Interior.
Secretary of Agriculture.
[Secretary of Commerce.]
Secretary of Labor.
Secretary of Health and Human Services.
Secretary of Housing and Urban Development.
Secretary of Transportation.
United States Trade Representative.
Secretary of Energy.
Secretary of Education.
Special Assistant for Agricultural Trade and Food Aid.
Secretary of Industry and Technology.

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§ 5313. Positions at level II

Level II of the Executive Schedule applies to the following positions, for which the annual rate of basic pay shall be the rate determined with respect to such level under chapter 11 of title 2, as adjusted by section 5318 of this title:

Deputy Secretary of Defense.
Deputy Secretary of State.
Administrator, Agency for International Development.

* * * * * * *

Administrator of the Environmental Protection Agency.
Under Secretary of Defense for Acquisition.
Deputy Secretary of Labor.
Deputy Secretary, Department of Industry and Technology.
Under Secretary of Industry and Technology for Industry.
Under Secretary of Industry and Technology for Technology.

§ 5314. Positions at level III

Level III of the Executive Schedule applies to the following positions, for which the annual rate of basic pay shall be the rate determined with respect to such level under chapter 11 of title 2, as adjusted by section 5318 of this title:

Solicitor General of the United States.

[Under Secretary of Commerce, Under Secretary of Commerce for Economic Affairs, and Under Secretary of Commerce for Travel and Tourism.]

Under Secretary of Education.

* * * * * * *

[Deputy United States Trade Representatives (3).]

Deputy United States Trade Representative for Management.

Deputy United States Trade Representative.

Director for Trade Enforcement Programs, United States Trade Administration.

Deputy United States Trade Representative for Economic Policy.

Deputy United States Trade Representative for Trade Policy and Negotiation.

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Chairman, United States International Trade Commission.

Director of the Office of Drug Abuse Policy.

[Under Secretary of Commerce for Oceans and Atmosphere, the incumbent of which also serves as Administrator of the National Oceanic and Atmospheric Administration.]

Associate Attorney General.

Chairman, Federal Mine Safety and Health Review Commission.

Chairman, National Credit Union Administration Board.

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Deputy Director of the United States Arms Control and Disarmament Agency.

Executive Director, Federal Retirement Thrift Investment Board.

Deputy Under Secretary of Defense for Acquisition.

Under Secretary of Industry and Technology for Oceans and Atmosphere, who shall serve as Administrator of the National Oceanic and Atmospheric Administration.

Under Secretary of Industry and Technology for Travel and Tourism.

Director of the Office of Economic Analysis, Department of Industry and Technology.

Director of the Office of Trade Development, Department of Industry and Technology.

Director General of the United States and Foreign Commercial Service, Department of Industry and Technology.

Administrator of the Advanced Civilian Technology Agency, Department of Industry and Technology.

Director of the National Bureau of Standards, Department of Industry and Technology.

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§ 5315. Positions at level IV

Level IV of the Executive Schedule applies to the following positions, for which the annual rate of basic pay shall be the rate determined with respect to such level under chapter 11 of title 2, as adjusted by section 5318 of this title:

Deputy Administrator of General Services.

Associate Administrator of the National Aeronautics and Space Administration.

Assistant Administrators, Agency for International Development (6).

Regional Assistant Administrators, Agency for Internatonal Development (4).

Under Secretary of the Air Force.

Under Secretary of the Army.

Under Secretary of the Navy.

Assistant Secretaries of Agriculture (7).

[Assistant Secretaries of Commerce (8).]

Assistant Secretaries of Defense (11).

Assistant Secretaries of the Air Force (3).

Assistant Secretaries of the Army (5).

* * * * * * *

Deputy Director of the United States Information Agency.

Assistant Directors of the Office of Management and Budget (3).

General Counsel of the Department of Agriculture.

[General Counsel of the Department of Commerce.]

General Counsel of the Department of Defense.

General Counsel of the Department of Health and Human Services.

Solicitor of the Department of the Interior.

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Director of Nuclear Regulatory Research, Nuclear Regulatory Commission.

Executive Director for Operations, Nuclear Regulatory Commission.

President, Government National Mortgage Association, Department of Housing and Urban Development.

[Assistant Secretary of Commerce for Oceans and Atmosphere, the incumbent of which also serves as Deputy Administrator of the National Oceanic and Atmospheric Administration.]

Commissioner of Immigration and Naturalization, Department of Justice.

Director, Bureau of Prisons, Department of Justice.

Assistant Secretaries of Energy (8).

* * * * * * *

Assistant Administrators, Environmental Protection Agency (8).

Director of Operational Test and Evaluation, Department of Defense.

Administrator of the Health Care Financing Administration.

[Director, National Bureau of Standards, Department of Commerce.]

Assistant Director, United States Arms Control and Disarmament Agency (4).

Inspector General, United States Information Agency.

Inspector General, Department of State.

Director of Defense Research and Engineering.

Assistant Secretary of Industry and Technology for Economic Development.

Assistant Secretary of Industry and Technology for Technology Information.

Assistant Secretary of Industry and Technology for Communications and Information.

Assistant Secretary of Industry and Technology for Oceans and Atmosphere, who shall serve as Deputy Administrator of the National Oceanic and Atmospheric Administration.

Additonal Assistant Secretaries of Industry and Technology (2).

Commissioner of Patents and Trademarks, Department of Industry and Technology.

General Counsel, Department of Industry and Technology.

Inspector General, Department of Industry and Technology.

General Counsel, United States Trade Administration.

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§ 5316. Positions at level V

Level V of the Executive Schedule applies to the following positions, for which the annual rate of basic pay shall be the rate determined with respect to such level under chapter 11 of title 2, as adjusted by section 5318 of this title:

Administrator, Agricultural Marketing Service, Department of Agriculture.

Administrator, Agricultural Research Service, Department of Agriculture.

Administrator, Agricultural Stabilization and Conservation Service, Department of Agriculture.

* * * * * * *

Commissioner of Food and Drugs, Department of Health and Human Services.

Commissioner of Indian Affairs, Department of the Interior.

Commissioners, Indian Claims Commission (5).

[Commissioner of Patents, Department of Commerce.]

Commissioner, Public Buildings Service, General Services Administration.

Commissioner of Reclamation, Department of the Interior.

Commissioner of Vocational Rehabilitation, Department of Health and Human Services.

Commissioner of Welfare, Department of Health and Human Services.

Director, Advanced Research Projects Agency, Department of Defense.

[Director, Bureau of the Census, Department of Commerce.]

Director, Bureau of Mines, Department of the Interior.

Director, Geological Survey, Department of the Interior.

Director of Science and Education, Department of Agriculture.

* * * * * * *

Members, Subversive Activities Control Board.

Deputy Under Secretaries of Defense for Research and Engineering, Department of Defense (4).

Assistant Administrator of General Services.

[Director, United States Travel Service, Department of Commerce.]

Administrator, Wage and Hour and Public Contracts Division, Department of Labor.

Assistant Director (Program Planning, Analysis and Research), Office of Economic Opportunity.

Associate Director (Policy and Plans), United States Information Agency.

Chief Benefits Director, Veterans' Administration.

Commissioner of Labor Statistics, Department of Labor.

Deputy Director, National Security Agency.

Director, Bureau of Land Management, Department of the Interior.

Director, National Park Service, Department of the Interior.

General Counsel of the Veterans' Administration.

[National Export Expansion Coordinator, Department of Commerce.]

Special Assistant to the Secretary of Defense.

Staff Director, Commission on Civil Rights.

Assistant Secretary for Administration, Department of Transportation.

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Additional officers, Office of Management and Budget (6).

Associate Deputy Secretary, Department of Transportation.

Chief Scientist, National Oceanic and Atmospheric Administration.

Director of the Bureau of the Census, Department of Industry and Technology.

Director of Small Business Trade Remedy Assistance, Department of Industry and Technology.

Director of the Office of International Technology Monitoring, Department of Industry and Technology.

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INSPECTOR GENERAL ACT OF 1978

(5 U.S.C. Appendix)

§ 1. Short Title * * *

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§ 2. Purpose and establishment of Offices of Inspector General; departments and agencies involved

In order to create independent and objective units—

(1) to conduct and supervised audits and investigations relating to programs and operations of the Department of Agriculture, [the Department of Commerce,] the Department of Defense, the Department of Education, the Department of Housing and Urban Development, *the Department of Industry and Technology,* the Department of the Interior, the Department of Labor, the Department of Transportation, the Agency for International Development, the Community Services Administration, the Environmental Protection Agency, the General Services Administration, the National Aeronautics and Space Administration, the Small Business Administration, and the Veterans' Administration;

(2) to provide leadership and coordination and recommend policies for activities designed (A) to promote economy, efficiency, and effectiveness in the administration of, and (B) to prevent and detect fraud and abuse in, such programs and operations; and

(3) to provide a means for keeping the head of the establishment and the Congress fully and currently informed about problems and deficiencies relating to the administration of such programs and operations and the necessity for and progress of corrective action;

thereby [1] is hereby established in each of such establishments an office of Inspector General.

* * * * * * *

§ 9. Transfer of functions

(a) There shall be transferred—

(1) to the Office of Inspector General—

(A) of the Department of Agriculture, the offices of that department referred to as the "Office of Investigation" and the "Office of Audit";

[(B) of the Department of Commerce, the offices of that department referred to as the "Office of Audits" and the "Investigations and Inspections Staff" and that portion of the office referred to as the "Office of Investigations and Security" which has responsibility for investigation of alleged criminal violations and program abuse;]

[(C)]*(B)* of the Department of Defense, the offices of that department referred to as the "Defense Audit Service" and the "Office of Inspector General, Defense Logistics Agency", and that portion of the office of that department referred to as the "Defense Investigative Service" which has responsibility for the investigation of alleged criminal violations;

[(D)]*(C)* of the Department of Education, all functions of the Inspector General of Health, Education, and Welfare or of the Office of Inspector General of Health, Education, and Welfare relating to functions transferred by section 301 of the Department of Education Organization Act [20 U.S.C. 3441];

[(E)]*(D)* of the Department of Housing and Urban Development, the office of that department referred to as the "Office of Inspector General":

(E) of the Department of Industry and Technology, all functions of the Inspector General of the Department of Commerce and the Office of the Inspector General of the Department of Commerce relating to the functions transferred to the Secretary of Industry and Technology by section 3731 of the Economic Competitiveness, International Trade, and Technology Development Act of 1987;

* * * * * * *

15 U.S.C. § 1 * * *

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[§ 1501. Establishment of Department; Secretary; seal

[There shall be at the seat of government an executive department to be known as the Department of Commerce, and a Secretary of Commerce, who shall be the head thereof, who shall be appointed by the President, by and with the advice and consent of the Senate, and whose term and tenure of office shall be like that of the heads of the other executive departments; and the provisions of title four of the Revised Statutes, including all amendments thereto, shall be applicable to said department. The said Secretary shall cause a seal of office to be made for the said department of such device as the President shall approve, and judicial notice shall be taken of the said seal.]

* * * * * * *

[§ 1505. Additional Assistant Secretary; duties, rank of Assistant Secretaries

[There shall be in the Department of Commerce one additional Assistant Secretary of Commerce, who shall be appointed by the President, by and with the advice and consent of the Senate. The Secretary of Commerce may assign to his Assistant Secretaries such duties, including the direction of the Bureau of Foreign and Domestic Commerce, as he shall prescribe, or may be required by law. The Assistant Secretaries of Commerce shall be without numerical distinction of rank.]

[§ 1506. Additional Assistant Secretary; appointment; applicability of section 1505

[There shall be on and after July 2, 1954 in the Department of Commerce, in addition to the Assistant Secretaries now provided for by law, one additional Assistant Secretary of Commerce, who shall be appointed by the President by and with the advice and consent of the Senate, and who shall be subject in all respects to the provisions of section 1505 of this title, relating to Assistant Secretaries of Commerce.]

[§ 1507. Additional Assistant Secretary; appointment; compensation; duties

[There shall be in the Department of Commerce, in addition to the Assistant Secretaries now provided by law, one additional Assistant Secretary of Commerce who shall be appointed by the President by and with the advice and consent of the Senate, shall receive compensation at the rate prescribed by law for Assistant Secretaries of Commerce, and shall perform such duties as the Secretary of Commerce shall prescribe.]

* * * * * * *

[§ 1507b. Assistant Secretary of Commerce; appointment; compensation; duties

[There shall be in the Department of Commerce, in addition to the Assistant Secretaries provided by law as of November 12, 1977, one additional Assistant Secretary of Commerce who shall be appointed by the President, by and with the advice and consent of the Senate. Such Assistant Secretary shall perform such duties as the Secretary of Commerce shall prescribe.]

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[§ 1508. General Counsel

[There shall be in the Department of Commerce a General Counsel, who shall be appointed by the President, by and with the advice and consent of the Senate.]

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[§ 1511. Bureaus in Department

[The following named bureaus, administrations, services, offices, and programs of the public service, and all that pertains thereto, shall be under the jurisdiction and subject to the control of the Secretary of Commerce;

[(a) National Oceanic and Atmospheric Administration;
[(b) United States Travel and Tourism Administration;
[(c) National Bureau of Standards;
[(d) Patent and Trademark Office;
[(e) Bureau of the Census;
[(f) United States Fire Administration; and
[(g) such other bureaus or other organizational units as the Secretary of Commerce may from time to time establish in accordance with law.

* * * * * * *

[§ 1519. Annual and special reports

[The Secretary of Commerce shall annually, at the close of each fiscal year, make a report in writing to Congress, giving an account of all moneys received and disbursed by him and his Department, and describing the work done by the Department in fostering, promoting, and developing the foreign and domestic commerce, the mining, manufacturing, and fishing industries; of the United States, and making such recommendations as he shall deem necessary for the effective performance of the duties and purposes of the Department. He shall also from time to time make such special investigations and reports as he may be required to do by the President, or by either House of Congress, or which he himself may deem necessary and urgent.]

* * * * * * *

[§ 1522. Acceptance of gifts and bequests for purposes of the Department; separate fund; disbursements

[The Secretary of Commerce is hereby authorized to accept, hold, administer, and utilize gifts and bequests of property, both real and personal, for the purpose of aiding or facilitating the work of the Department of Commerce. Gifts and bequests of money and the proceeds from sales of other property received as gifts or bequests shall be deposited in the Treasury in a separate fund and shall be disbursed upon order of the Secretary of Commerce. Property accepted pursuant to this provision, and the proceedings thereof, shall be used as nearly as possible in accordance with the terms of the gift or bequests.]

* * * * * * *

[§ 1523. Tax status of gifts and bequests of property

[For the purpose of Federal income, estate, and gift taxes, property accepted under section 1522 of this title shall be considered as a gift or bequest to or for the use of the United States.]

[§ 1524. Investment and reinvestments of moneys; credit and disbursement of interest

[Upon the request of the Secretary of Commerce, the Secretary of the Treasury may invest and reinvest in securities of the United States or in securities guaranteed as to principal and interest by the United States any moneys contained in the fund authorized herein. Income accruing from such securities, and from any other property accepted pursuant to section 1522 of this title, shall be deposited to the credit of the fund authorized herein, and shall be disbursed upon order of the Secretary of Commerce.]

§ 11. Definitions

As used in this Act—

(1) the term "head of the establishment" means the Secretary of Agriculture, [Commerce,] Defense, Education, Housing and Urban Development, *Industry and Technology,* the Interior, Labor or Transportation or the Administrator of the Agency for International Development, Community Services,

Environmental Protection, General Services, National Aeronautics and Space, Small Business, or Veterans' Affairs, as the case may be;

(2) the term "establishment" means the Department of Agriculture, [Commerce,] Defense, Education, Housing and Urban Development, *Industry and Technology,* the Interior, Labor, or Transportation or the Agency for International Development, the Community Services Administration, the Environmental Protection Agency, the General Services Administration, the National Aeronautics and Space Administration, the Small Business Administration, or the Veterans' Administration, as the case may be;

(3) the term "Inspector General" means the Inspector General of an establishment;

(4) the term "Office" means the Office of Inspector General of an establishment; and

(5) the term "Federal agency" means an agency as defined in section 552(e) of title 5 (including an establishment as defined in paragraph (2)), United States Code, but shall not be construed to include the General Accounting Office.

* * * * * * *

X. FURTHER STUDY

At the markup of S. 1233 the Committee requested the staff to arrange for a study to be undertaken on the desirability of new initiatives which would bring about further trade reorganization, including the transfer of the offices of Trade Development and U.S. and Foreign Commercial Service from the Department of Industry and Technology to the U.S. Trade Administration, as well as the establishment of a cabinet-level trade department. The staff shall report back to the Committee the results of such a study within one year, at which time the Committee will conduct a hearing(s).

ADDITIONAL VIEW OF SENATOR JIM SASSER

As a member of three Senate committees working on the Omnibus Trade bill—Governmental Affairs, Banking, Housing and Urban Affairs, and Small Business—I commend Sen. John Glenn and members of this Committee for their expeditous handling of S. 1233, The Economic Competitiveness, International Trade and Technology Development Act of 1987.

This bill, in addressing this nation's burgeoning trade defcit problem, is a positive piece of legislation which will enhance this nation's competitive ability and strengthen its position in domestic and international markets.

The United States' trade imbalance did not occur overnight. As Robert Strauss, former U.S. Trade Representative, stated in testimony before this Committee, "There are no quick fixes for these problems. It took years of bad economic policies to create them, it will require time to undo them."

I could not agree more. The first trade deficit since 1888 occurred in 1971, when the nation's total imports exceeded its exports by $2.3 billion. In 1981, our nation's trade deficit was only $39.6 billion, but by 1986 this deficit had skyrocketed to $170 billion. In 1986, the United States became the world's greatest debtor nation; in 1983 it was the largest creditor.

In response to this Administration's absence of a coherent trade policy, Congress has sought to fashion a viable trade policy which would address current problems and offer long-term solutions.

In 1984, Congress rewrote major portions of the trade laws. The following year, Congress passed the Textile and Apparel Trade Enforcement Act, only to have the President veto the legislation. In 1986, the House of Representatives passed broad legislation that would have not only reformed trade law but also addressed exchange rates, Third World debt, education and retraining problems. The Senate, which had its own trade ideas, failed to pass a bill in 1986, in part due to repeated threats of another veto.

The Economic Competitiveness, International Trade, and Technology Development Act of 1987, passed with no dissenting votes by the Governmental Affairs Committee on June 11, is a positive step in developing long-range solutions to our nation's trade problems.

This measure calls for the reorganization of the Department of Commerce and the Office of the United States Trade Representative. It also proposes the creation of an agency to promote advanced technology development—technology which has the promise of creating the goods and services that will be at the cutting edge of tomorrow's economy.

The new Department of Industry and Technology's mission calls for a closer relationship of industry and technology—both domestic and international—to promote the strengthening of our industries. This new department will have a new Under Secretary for Industry, who will oversee most of the Commerce Department's current informational, economic and business development responsibilities, and a new Under Secretary for Technology, who will manage Commerce's current intellectual property, technical information and testing functions.

Perhaps one of the most exciting components of the new Department will be the creation of the Advanced Civilian Technology Agency (ACTA). ACTA, which will be a civilian counterpart to the Defense Advanced Research Projects Agency (DARPA) will provide support in the form of matching grants and cooperative agreements to research organizations and consortia for research, prototype development, and technological development and applications that are not otherwise being contemplated or carried out by the private sector.

Moreover, the bill creates the U.S. Trade Administration, which will allow trade policy—making, implementating, and enforcement function to be housed within one organization. It will significantly improve the government's trade engineering capabilities worldwide.

Amendments to this bill—by Sen. Bingaman creating a Council on Economic Competitiveness and an Office of International Technology Monitoring, and by Sen. Chiles calling for competitiveness studies to examine U.S. barriers to U.S. exports and the creation of SEMATECH, the proposed semiconductor industry research consortium—also make positive contributions to this nation's ability to compete in domestic and international markets.

S. 1233, the Economic Competitiveness, International Trade, and Technology Development Act of 1987 is a major component of omnibus trade legislation now being reported to the full Senate. Prompt action on this legislation is necessary so that this nation can effectively address its trade problems in a constructive fashion.

JIM SASSER.

ADDITIONAL VIEWS OF SENATORS WILLIAM ROTH AND WILLIAM COHEN

We support S. 1233 with several important reservations. Our support is based upon the unwavering belief that we must consolidate our governmental trade responsibilities in order to improve our ability to devise and implement trade policy and thereby improve our performance in international trade.

While trade reorganization admittedly is not the only step needed to reassert our competitiveness in international markets, it is a necessary step. Properly carried out, consolidation of trade functions will elevate trade as a national priority, afford our top trade policymaker, the United States Trade Representative, the policy tools he needs in the Uruguay Round and other trade negotiations and reduce their bureaucratic turf competition now apparent among our principal trade agencies.

S. 1233, as reported, takes a very constructive step in the creation of the United States Trade Administration (USTA) as an independent establishment of the Federal Government. The USTA will bring together the Office of the United States Trade Representative currently in the Executive Office of the President with the International Economic Policy and Trade Administration functions now located in the Commerce Department. This approach creates a clear linkage between the trade policymaking and negotiations and trade analysis and implementation. Furthermore, the proposal underscores for our trade partners and our domestic trade interests alike that our government has one spokesman on trade policy and that person is the United States Trade Representative.

The proposal recognizes the strong support for retention of the top trade advisor in close proximity to the President by maintaining the USTR in the White House as the director of the interagency process on trade matters. Thus the USTR will serve a dual role as the administrator of the new trade agency and the leader on interagency trade matters within the White House.

The legislation also seeks to attain the unrealized potential of the Small Business Trade Remedy Assistance Office by moving this function from the International Trade Commission, where it has not received adequate support, to the proposed Department of Industry and Tehcnology.

Our concerns with the bill as reported come first in the fact that it does not accomplish enough in the area of trade reorganization. The proposal leaves in the new Department of Industry and Technology important trade promotion, and data collection and analysis functions as well as some sectoral policy negotiations support functions that more appropriately belong in the U.S. Trade Administration.

Only with the merger of these aspects of the trade policy process with the functions now proposed for the USTA will we have achieved the appropriate and sufficient consolidation of our principal trade agencies. We are encouraged that the Committee will direct a study to be completed prior to the effective date of the legislation to determine whether additional agencies should be assigned to the Trade Administration and whether the USTA should be elevated to departmental status.

The legislation makes several other innovative contributions, particularly in the area of rationalizing the internal structure of the Commerce Department as it is transformed to the Department of Industry and Technology. While we feel that certain of the trade promotion responsibilities assigned to the Under Secretary for Industry should be placed under the aegis of the U.S. Trade Administration, the DIT proposal does nc. present a sensible configuration for industry responsibilities. The effort to enhance governmental technology functions by consolidating them under a new Under Secretary for Technology likewise is laudable.

We question, however, the creation of the Advanced Civilian Technology Administration (ACTA) with its authorization level of $480 million over a three year period. We recognize that the Federal Government is heavily and appropriately involved in funding basic research, and we concur that part of the nation's competitiveness problem is our diminished ability to move intellectual property from the lab to the marketplace at a rate faster than our international competitors. We remain unconvinced, however, that Government funded applications research and development can bridge this lab to market gap any faster than can our private industry.

The funding level for ACTA creates a problem as well. At this point in mid-June of 1987, we have already overspent the FY 1987 budget by approximately $13 million. We are taxing at a historically consistent 19 percent of GNP, but are spending at a rate of 23 percent of GNP. Though the deficit has been trimmed to $174 billion, the addition of new grant programs such as the proposed ACTA will send the deficit back toward the $200 billion annual level.

If indeed there is merit in the research mission outlined for the proposed Technology Administration, we would prefer to see the effort tested in a series of demonstration programs at a vastly reduced funding level. The current authorization level of $480 million, in light of the Federal deficit, is unacceptable.

During Committee consideration of S. 1233, a number of provisions were added to the bill which are duplicative or replicate activities already underway in the Executive Branch. The Council on Economic Competitiveness will create an expensive new bureaucracy that will overlap the existing advisory process available to the President and others responsible for formulating trade and competitiveness policy.

The functions performed by the Industry Sector Advisory Committees, the President's Export Council and other existing means for obtaining advice from the private sector would not be augmented by the proposed Council. The new Council would risk intruding on the functions of the current advisory process, inhibiting their operation and reducing the efficiency of the advisory system. The bill would create all of this at a cost of $15 million in the first year of operation alone.

In addition to our concerns over the cost and the duplicative nature of the Council's mission, we fear that it will go beyond the appropriate role of a Government body and intrude on issues and decisions better dealt with by those in the private sector.

For example, the Council is called upon in the legislation "to develop and promote a national vision and specific policies which enhance the productivity and international competitiveness of United States industries", and "to establish, when appropriate, subcouncils of public and private leaders to develop similar long-term forecasts and visions for sectors of the economy, and to comment upon specific economic issues."

In our view the development of "visions" and "forecasts" of this nature by the Council will serve to intrude the Government further into the private sector market-based decisionmaking process. Carried to the exteme such visions and foecasts could be employed to assert a governmentally defined structure for industry in the United States. We reject this policy direction and, despite the good intentions of the proponents, oppose the creation of the Council.

Similarly, the proposed Office of International Technology Monitoring would overlap the contribution of the National Technical Information Service in the Commerce Department. If the current mission of the NTIS is insufficiently broad, we should consider expanding it, not create a new bureaucracy.

The legislation also calls for a series of studies dealing with U.S. trade problems in the 1990's and national competitiveness problems. In our view, the constructive contribution of the Young Commission to understanding our trade and competitiveness concerns provides an ample basis for designing a policy agenda. The proposed studies, therefore, represent a superfluous effort and necessary expense. If, however, the studies are deemed necessary, they should be consolidated into one assignment in order to reduce their cost.

The bill as reported creates computerized job bank systems in each State, at an estimated annual cost of $50 million. The Committee established no hearing record on this issue which is more appropriately a concern of the Labor and Human Resources Committee. In view of the fact that the Committee has not considered this issue and the cost that it would entail, we oppose its addition to the legislation.

The Committee also adopted an amendment to create a Financial Acquisitions Review Board. This Board would consider applications by foreign parties to acquire interests in U.S. financial institutions in relation to the treatment afforded U.S. parties in attempting to acquire similar interests in that foreign nation.

We find it ironic that, while other portions of this legislation strengthen the negotiating authority of the United States Trade Representative, this proposed Board would be chaired by the Treasury Secretary and the majority of its members would come from the financial institution regulatory agencies. The Board's activities could undermine the negotiating position of the USTR on services trade and thereby counteract the positive contribution of other aspects of the legislation.

S. 1233 as reported is heavily freighted with costly initiatives of questionable desirability. It is our hope that when this legislation is considered in the Senate that these troublesome proposals will be eliminated or, at a minimum, scaled back. Concomitantly, it is our hope that the positive elements of the bill, particularly the creation of the new U.S. Trade Administration, will be retained as the legislation is considered on the Senate floor and in conference, and strengthened through the addition of trade policy functions and responsibilities in succeeding sessions of Congress.

William V. Roth, Jr.
William Cohen.

ADDITIONAL VIEW OF SENATOR TED STEVENS

I generally agree with the conclusions set forth by Senators Roth and Cohen in their additional views to S. 1233.

TED STEVENS.

ADDITIONAL VIEW OF SENATOR JOHN HEINZ

The Committee has reported legislation which combines trade negotiation and administration in a single, independent agency, and includes financial acquisition review requirements. Elements of both belong properly within the jurisdiction of the Senate Banking, Housing, and Urban Affairs Committee. That such broad legislation was approved without that Committee's participation, and, indeed, with little in the way of support from the two days' of hearings which preceded the mark-up, troubles this Senator.

Jurisdiction over foreign acquisition of U.S. financial enterprises clearly belongs to the Banking Committee. The Banking Committee has asserted its jurisdiction in a recent letter to the Senate leadership. the Governmental Affairs Committee does not create a new institution or organization, but rather it has assigned financial review responsibilities to a committee of existing officials. The only effective result of this legislative provision is to change national policy on foreign acquisitions in the financial area from the "National treatment" standard embodied in our banking and securities laws, to one of "reciprocity."

A "reciprocity" standard attempts to open foreign financial markets based on standards in the United States. However, U.S. regulation is not uniformly more liberal than regulatory practices abroad. Thus, reciprocity can have the reverse effect from that intended by the Committee—namely, one of damaging U.S. interests in other countries. For example, over half of the States now place restrictions on interstate branching by banks, yet in Japan and most other nations there are not "state" boundaries to banking. Therefore, in a reciprocity war, Japan could retaliate against U.S. banks in the Japanese financial services market based on our interstate branching limitations.

It should be noted that the Banking Committee's trade bill already provides for regulatory review and sanctions on a "national treatment" basis in the areas of banking and primary dealers. The Governmental Affairs Committee would undo the balanced approach taken by the Banking Committee.

In addition, Sections 202(b) (1) and (2) of S. 1233 transfer to the U.S. Trade Administration all functions of export administration. The Committee thus undoes the Banking Committee's efforts to establish a new Under Secretary of Commerce for Export Administration. The Office of the new Under Secretary is to be established by September 30, 1987. The Under Secretary would have responsibilities pursuant to the Export Administration Act, under which exports are controlled for national security, foreign policy, and short supply purposes. Creation of this new position would provide a higher profile in government to these sensitive parts of our export law. S. 1233 removes the special status provided by the Banking Committee.

Furthermore, by removing the office of the United States Trade Representative from the Executive Office of the President, and removing the Assistant Secretary for Trade Administration from the Department of Commerce, the Committee's bill runs the risk of diminishing both offices. The USTR has a special role in the Executive Office of the President, which grants all USTR staff significant access to trade negotiation at all levels of government. Similarly, the Assistant Secretary for Trade Administration has responsibility for the very sensitive application of anti-dumping and countervailing duty laws, and must be separate from the ongoing, and highly political, development of trade agreements. As testimony before the Committee brought out, moving trade administration to the USTR will give negotiators more cards to play—our trade laws and national security interests being among the cards which may or may not be traded away.

For these reasons, I oppose final passage of S. 1233. Because of the Banking Committee's strong interest in the provisions of this legislation, it is imperative that the bill be referred to that Committee for more thorough review.

JOHN HEINZ.

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